

# KLONDIKE SILVER

## OUR VISION: Zinc/Silver/Lead Production

### KLONDIKE SILVER SEEKS SHAREHOLDER APPROVAL OF PROPOSED CONVERTIBLE DEBENTURE

**December 23, 2019 - Vancouver, Canada – Klondike Silver Corp. (the “Company”)** (TSX.V: KS) is pleased to announce that it will be seeking shareholder approval of a proposed secured convertible debenture (the “**Convertible Debenture**”) with Munday – Maxwell & Gaylene – Association (“**Munday Association**”), pursuant to which Munday Association, as lender, will agree to loan, in one or more advances, up to Cdn\$2,500,000 to the Company. Pursuant to the requirements of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), the Company will be seeking approval of the Convertible Debenture from disinterested shareholders at the Company’s upcoming annual and special general meeting (the “**Meeting**”) to be held on Tuesday, December 31, 2019 at 11:00 a.m. (Vancouver time).

#### *Convertible Debenture*

The Company acknowledges itself indebted to Maxwell Munday (“**Munday**”) - a control person of the Company - as of the date hereof pursuant to certain promissory notes with an aggregate principal amount of \$1,457,180.74. Munday Association is an incorporated society controlled by Munday. The initial advance under the Convertible Debenture will be used firstly to repay in full the aggregate amount of outstanding principal and accrued interest owing to Munday under the promissory notes, with the remaining proceeds of the initial advance and all other subsequent advances under the Convertible Debenture to be used by the Company to advance the exploration of the Company’s Sandon Zinc Silver Lead project (specifically, underground drilling) and for general working capital and administrative purposes.

The Convertible Debenture will mature on the earlier of (i) written demand made by Munday Association; and (ii) December 31, 2024. Interest accrues daily on the outstanding principal amount of each advance from the date of each advance at a rate equal to 10% per annum, compounded monthly on the last day of each month. As security for payment of the principal amount and interest thereon, and due performance of its obligations under the Convertible Debenture, the Company will agree to, amongst other things, mortgage and charge (by way of a first fixed and specific mortgage and charge) in favour of Munday Association a security interest in, all of its present and after acquired real and immovable property (including, without limitation, the Undersurface Rights (as such term is defined in the Convertible Debenture)) and all of its present and after acquired buildings, fixtures and plant. A more detailed description of the security package provided by the Company pursuant to the Convertible Debenture, and the other principal terms of the Convertible Debenture, is set out in the Company’s management information circular dated November 22, 2019, as amended by the addendum dated December 6, 2019 (the “**Circular**”), copies of which are available for review under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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Under the Convertible Debenture, Munday Association, at its option, has the right, at any time up to and including the maturity date, to convert the outstanding principal amount of the Convertible Debenture (excluding accrued but unpaid interest), in whole or in part, into units (“**Units**”) of the Company at a conversion price of Cdn\$0.05 per Unit. Each Unit will be comprised of one (1) common share and one (1) common share purchase warrant (each a, “**Warrant**”) of the Company. Each Warrant will be exercisable by the holder thereof into one (1) common share of the Company at a price of \$0.05 per share for a period of sixty (60) months from the issue date of the Convertible Debenture. All securities issuable under the terms of the Convertible Debenture will be subject to a four month and one-day restricted resale period in accordance with the policies of the TSX Venture Exchange (“**TSXV**”) and applicable securities laws.

### ***Effectiveness of Convertible Debenture***

Execution of the Convertible Debenture by the Company and Munday Association, and the effectiveness of the respective covenants, agreements and obligations of each party under the Convertible Debenture, are subject to certain conditions, including the Company obtaining TSXV acceptance of the Convertible Debenture and the requisite approval of the Convertible Debenture from disinterested shareholders at the Meeting in accordance with the requirements of MI 61-101.

### ***Securities Law Disclosure***

#### ***MI 61-101 Requirements***

The Company is a reporting issuer in the provinces of British Columbia, Alberta and Québec and its common shares are listed on the TSXV and is subject to applicable Canadian securities laws, including MI 61-101. MI 61-101 regulates, amongst other things, related party transactions to ensure equality of treatment among securityholders, generally by requiring enhanced disclosure, minority securityholders approval, and, in certain instances, independent valuations and approval and oversight of certain transactions by a special committee of independent directors. Munday Association is a “related party” of the Company pursuant to MI 61-101 as Munday Association is an entity controlled by Munday who is a control person of the Company. The proposed issuance of the Convertible Debenture described above will constitute a “related party transaction” under MI 61-101 because it is a transaction in which the Company will: (i) borrow money from a related party; and (ii) issue a security to a related party.

Neither the Company nor any of its officers or directors, after reasonable inquiry, are aware of any prior valuations or bona fide offers that have been completed or received by the Company in the past 24 months in respect of the Company that relate to the subject matter of or are otherwise relevant to the proposed issuance of the Convertible Debenture.

#### ***Exemptions from Formal Valuation Requirements***

With respect to the formal valuation requirement under MI 61-101, the Company is relying upon the exemption from the requirement set forth in Section 5.5(b) of MI 61-101 which is available if no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a

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stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc. This exemption is available to the Company as its common shares are listed only on the TSXV.

#### *Minority Shareholder Approval*

The Company is seeking minority shareholder approval of the proposed issuance of the Convertible Debenture pursuant to section 5.6 of MI 61-101. In determining minority approval for a related party transaction, the Company is required to exclude the votes attached to common shares that, to the knowledge of the Company or any “interested party” or their respective directors and senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by “interested parties” and their “related parties” and “joint actors” (all as defined in MI 61-101). At the Meeting, the common shares held by (i) Munday and (ii) any of his related parties, associates or affiliates, and any joint actors of the foregoing (collectively, the “**Excluded Parties**”) will be excluded for the purposes of determining minority approval of the proposed issuance of the Convertible Debenture. At the meeting, approval from “disinterested shareholders” shall mean a majority of the votes cast by shareholders of the Company, excluding the votes of the Excluded Parties.

To the best of the Company’s knowledge, approximately 29,600,000 common shares, representing approximately 18.86% of the Company’s issued and outstanding common shares, are beneficially owned by Munday and his related parties, associates or affiliates as of the date hereof. Accordingly, the 29,600,000 votes attached to the common shares beneficially owned, or over which control or direction is exercised, by the Excluded Parties will be excluded from the vote.

The Units which are issuable to the Munday Association upon conversion of the Convertible Debenture, if approved, will not materially affect control of the Company. Assuming the full principal amount of the Convertible Debenture is converted into Units in accordance with the terms thereof, Munday and his related parties, associates or affiliates will hold 79,600,000 common shares, representing approximately 38.47% of the then issued and outstanding common shares on a non-diluted basis. If the Warrants underlying the Units are exercised in full, Munday and his related parties, associates or affiliates will hold 129,600,000 common shares, representing approximately 50.44% of the then issued and outstanding on a non-diluted basis.

#### *Board Review and Approval*

The proposed issuance of the Convertible Debenture and the terms thereof were reviewed and unanimously approved by the board of directors of the Company (the “**Board**”) by resolutions passed on December 6, 2019. The Board’s approval of the Convertible Debenture was based upon careful consideration of, among other things:

- the Convertible Debenture is offered on reasonable commercial terms not less advantageous to the Company than if the Company obtained similar financing from a person dealing at arm’s length with the Company;
- that the advances under the Convertible Debenture will enable the Company to:

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- repay in full the outstanding principal and accrued interest owing under the promissory notes due in favour of Munday;
  - advance the exploration of the Company's Sandon Zinc Silver Lead project (specifically, underground drilling); and
  - for general working capital and administrative purposes.
- issuance of the Convertible Debenture will enhance the Company's ability to continue as a going concern in the near term and provide the Company with financial flexibility to consider and explore different measures to secure additional capital.

In the course of evaluating the Convertible Debenture, the Board consulted with the Company's senior management, reviewed relevant information and considered a number of factors, including, among others, the following:

- the pressing financial needs of the Company;
- the dilution to existing shareholders of the Company;
- the limited availability of alternative sources of capital for the Company; and
- all other matters deemed relevant by the Board.

Accordingly, after careful consideration, the Board has determined that the terms of the Convertible Debenture are fair and reasonable insofar as its shareholders are concerned and the approval of the proposed issuance of the Convertible Debenture is in the best interest of the Company.

### ***About Klondike Silver***

**Klondike's Silvana Mine Zinc Silver Lead project** is located in South Eastern B.C., 138 km north of the Trail B.C. smelter. The Company is actively exploring from underground, the western extension of the Silvana Mine, along the "Main Lode". The "Main Lode" is a 9 km structure which is the most prolific mineralized structure in the Slocan Mining Camp. There are 13 historical mines that are situated along the 9 km "Main Lode" structure which has produced 886,000 kg of silver, 117 million kg lead and 95 million kg of zinc so far (source: BC MINFILE).

On Behalf of the Board of Directors

**Klondike Silver Corp.**

*"Thomas Kennedy"*

Thomas Kennedy, B.Comm., J.D.

CEO, Director

Contact Information

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This news release contains certain forward looking statements which involve known and unknown risks, delays, and uncertainties not under the control of Klondike Silver Corp. which may cause actual results, performance or achievements of Klondike Silver Corp. to be materially different from the results, performance or expectation implied by these forward looking statements. By their nature, forward looking statements involve risk and uncertainties because they relate to events and depend on factors that will or may occur in the future. Actual results may vary depending upon exploration activities, industry production, commodity demand and pricing, currency exchange rates, and, but not limited to, general economic factors.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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