

Klondike Silver Corp.
Form 51-102F1
Management Discussion and Analysis
For the Year Ended May 31, 2019

For the year ended May 31, 2019

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the financial statements of Klondike Silver Corp. (“Klondike Silver” or the “Company”) for the year ended May 31, 2019 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) annual reporting period.

The Company’s financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is extending its best efforts in this regard, the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

This MD&A has been prepared as of September 25, 2019. All amounts are expressed in Canadian dollars unless otherwise stated.

Forward Looking Information

This MD&A includes some statements that may be considered “forward-looking statements”. All statements in this discussion that address the Company’s expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes or lack thereof, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company’s exploration and development activities expose the Company to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below.

The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

Financing

The Company’s future financial success depends on the ability to raise additional capital from the issue of shares or the discovery of properties which could be economically justifiable to develop. Such development could take years to complete and resulting income, if any, is difficult to determine. The sales value of any mineralization potentially discovered by the Company is largely dependent upon factors beyond the Company’s control, such as the market value of the products produced.

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General Resource Exploration Risks and Competitive Conditions

The resource exploration industry is an inherently risky business with significant capital expenditures and volatile metals markets. The marketability of any minerals discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, mineral markets, processing equipment, changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of mineral claims as well as for the engagement of qualified contractors. Metal prices have fluctuated widely in recent years, and they are determined in international markets over which the Company has no influence.

Governmental Regulation

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's properties are affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

Company Overview

Klondike Silver is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol "KS".

The Company is a resource exploration stage company engaged in the acquisition and exploration of mineral properties. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issuance of shares from the treasury to investors and does not use long term debt. Once a body of commercial ore is found, the Company may offer to a major mining company the opportunity to acquire an interest in a property in return for funding by the major mining company, of all or part of the exploration and development of the property. The Company currently has no revenues from mineral producing operations and holds properties in British Columbia and the Yukon.

Additional information relating to the Company can be found on SEDAR at www.sedar.com and also on the Company's website at www.klondikesilver.com.

Overall Performance

Acquisition and exploration expenses during the year ended May 31, 2019 were \$1,052,256 (May 31, 2018 - \$796,612). Major categories were drifting and drilling for \$734,999 and supplies and maintenance for \$157,660 on the Slocan and Sandon BC claims. Exploration and evaluation asset expenditures during the year were primarily due to 3D mine modeling, 99.94 meters of exploration drifting, 542 meters of BQ drilling (4 holes) and 2 quarters of water quality baseline monitoring. A detailed total station survey of the tailings management facility (TMF) was conducted in October 2018 as part of the requirements for Golder Associates TMF studies and analysis in 2019, required by Ministry of Energy Mines and Petroleum Resources (EMPR).

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Property Summaries and Exploration Updates

British Columbia Properties

Slocan Silver Camp

The Slocan Silver Camp is centered around the historic town of Sandon, located 50 kilometres northwest of Nelson in south-eastern, British Columbia. Sandon is 14.5 kilometres east of New Denver and has year round access via an all-weather gravel road which branches off of paved Provincial Highway 31A, 8.5 km from New Denver..

Klondike Silver's claims in the Slocan Camp cover an area of approximately 100 square kilometers and include 68 of the historical past-producing silver-lead-zinc mines of the camp, including the Silvana Mine. The Slocan Camp includes a fully operational 90 tonne per day (100 ton per day) mill situated immediately downstream of the historic town of Sandon. The claims include legacy claims, crown-granted claims, and recently acquired MTO mineral claims. Not all of the ground within the Camp is held by Klondike Silver and not all claims are contiguous

The central area of the Sandon camp, includes the second largest past producing mine in the region and has been the focus of Klondike Silver's underground exploration for the past several years.

Silvana Mine

The principal source of the Slocan Camp's historic silver-lead-zinc production comes from the Main Lode structure which is approximately 9 km long, extending from the town of Silverton on Slocan Lake to the historic town of Cody in the east. The Main Lode transects 'Silver Ridge' which separates two major drainage basins (Carpenter and Silverton Creeks) of the Selkirk Mountains. The Silvana production area covers approximately 1.3 km of the Main Lode. The Company claims extend approximately 1.5 km to the west of the Silvana's historic production zone. This region of the Main Lode has been named the "Silver Mile" by the Company. The western property boundary is 0.5 km from the Mammoth Mine, the next major mine to the west, along the Main Lode.

The Main Lode mines produced 1.8 million tonnes of ore with an average grade of 494 grams per tonne (g/t) (14.42 ounces per ton, oz/T) silver, 6.53 % lead and 5.29 % zinc (source BC MINFILE). Total production for all Main Lode mines was 888 tonnes (29 million oz) of silver, 117 million kg of lead and 97 million kg of zinc.

The mines within the Company's claims produced 965,000 tonnes of ore with an average grade of 596 g/t (17.38 oz/T) silver, 7.69 % lead and 4.19 % zinc. Total production of the Company's mines on the Main Lode was 575 tonnes (18 million oz) of silver, 74 million kg of lead and 40 million kg of zinc.

The Silvana Mine produced 511,000 tonnes of ore with an average grade of 476 g/t (13.87 oz/T) silver, 5.62 % lead and 5.15 % zinc. Total production of the Silvana Mine over 40 years was 243 tonnes (8 million ounces) of silver, 29 million kg of lead and 26 million kg of zinc.

The Silvana Mine was originally operated as a joint venture between Kam-Kotia and Burkham as the Silmonac Mine. The operation was re-name the Silvana Mine when Kam-Kotia and other mining companies amalgamated under Dickenson Mines Limited. In 1991 Treminco Resources Corp. In 1999 Klondike Gold took over the property and was later spun out as Klondike Silver Corp.

The Silvana mine is the only mine in the Slocan Mining Camp that was discovered from underground diamond drilling (i.e. a blind deposit). The old Ruth 5 level (Silvana 4000 Level) was extended westward from the New Ruth and Silversmith deposits and long up-hole diamond drill holes intersected substantial lead and zinc mineralization in 1968. Funds were raised for a higher elevation portal and Cross-cut Drift (Silvana 4625 Level) to intersect this mineralization. Production from the Silvana mine started in 1970 utilizing the refurbished 1952 Carnegie Mill, immediately downstream of the town of Sandon. Three side-hill tailings ponds have been constructed since production started (Tailings Management Facility – TMF), downstream of the mill. Pond #3 is the only active pond.

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There are several tracked drifts to access mined areas (stopes) above the 4625 Level. Rubber-tired scooptrams utilized two declines to access stopes below 4625. There are three escapeways (Mascot portal, 4625 portal and 4000 portal) that provide natural ventilation year-round. Mining continued east and west of the 4625 Cross-cut Drift during the 1970s. In the west end the Main Lode structure changed its orientation and mineralization ceased. After continued exploration drifting and drilling on the structure in this area and with no mineralization intersected, mining ceased and continued only to the east and down the dip of the structure until 2010 when the operation mined out all visible mineralization.

It is now believed that the structure that was drifted and drilled in the west end was a post mineral fault that off-set the Main Lode by several hundred meters. The off-set was initially picked up by the last 3 drill holes completed in 2010 before the mine was put on “care and maintenance” status. These three holes mark the eastern edge of the “Silver Mile”.

The Silver Mile

The central underexplored “Silver Mile” portion of the Main Lode transects the steep-sided Silver Ridge at an elevation of 2140 meters. Several adits were developed between 1893 to 1923 by Carnation Silver Lead Mines Limited. Additional drifting in the Carnation Basin occurred in 1945 to 1952 by Kelowna Exploration Company. Although there are extensive workings in this area, limited production was recorded. This was due to economic and management conditions and the lack of underground diamond drilling, at that time.. The Main Lode surface expression was again explored in the 1960s initially by Silmonac, Kam-Kotia and then Dickenson Mines Ltd. Several strong soil geochemical anomalies were identified in 1983 to 1985 which lead to several short surface diamond drill programs that intersect significant mineralization in some of the holes in 1985. Since 1989, little surface exploration work has been done in this area due to the high altitude, rugged and steep terrain.

A 3D model has been developed over the last 4 years of the Company’s portion of the Main Lode from historical diamond drill records, plans and sections and has been converted to Universal Transverse Mercator (UTM) coordinates utilizing a LIDAR topographical survey and several total station surface and underground surveys. The 3D model has identified the Main Lode off-set and the post-mineral fault. Using this model, an Application to Amend the Silvana active mine permit M-65 was initiated in 2018. The application included an extension of the 4625 West Lateral Drift of approximately 160 meters to the west, installation of two diamond drill stations and 26 diamond drill holes totaling 2,060 meters. Drifting of the first 80 + meters of drifting started in October 2018 and was finished December 2018 which included the first drill station. Diamond drilling commenced in January 2019. Two holes have been completed as of February 2019. Both holes intersect brecciated Main Lode structure and confirmed a true width in this part of the Main Lode of 38.5 meters. Sphalerite and galena were detected in minor amounts in the core. Split core samples of the entire lode structure have been sent to ActLabs in Kamloops for analysis. Assays are pending. Along with the split core samples a series of QA/QC samples (certified reference material, blanks and duplicates) were inserted in the sample stream.

When substantial mineralization is intersected in the drill holes, an application to re-start the mill and TMF will be made to EMPR and Ministry of Environment. To reduce the government application timeframe, the Company initiated a baseline water quality monitoring program and benthic invertebrate study of the Carpenter Creek drainage basin and mine portals in late 2018. An acid rock drainage, metal leaching (ARD/ML) sampling program was started in 2017.

Ministry of Energy and Mines Request and Update

The EMPR has outlined a few issues at the Sandon Mine site that needed to be addressed. The Company has engaged the engineering firm Golder Associates (Golder) to complete reports related to the TMF and underground ground support system. This work included the Dam Safety Inspection, Dam Safety Review; Geotechnical Stability Analysis and Water Management Plan including an inflow design flood analysis, appropriate design of the TMF.. Golder is acting as the Engineer of Record for the TMF. Armouring of Carpenter Creek to a 200-year flood was undertaken in 2016 and 2017. The 4625 Cross-cut and West Lateral Drift were

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rehabilitated to current ground control standards in 2017 and 2018.

The Annual Reclamation Reports, the TMF Operations, Maintenance and Surveillance Manual, the TMF and underground Emergency Response Plans and Effluent Discharge Reports and several Environmental Management Plans are all up to date.

The Company's mineral claim status and assessments are being completed to keep all the Klondike Silver claims in good standing.

Yukon Property

Klondike Silver's Stump claims in the Yukon are in good standing to February 4, 2022

Results of Operations, year ended May 31, 2019

For the year ended May 31, the Company had a net loss of \$650,689 (May 31, 2018 - \$1,215,161). The significant differences between the two periods include:

- An increase in interest and bank charges to \$50,946 (May 31, 2018 - \$15,648) mainly due to loans outstanding in the current year.
- A decrease in investor relation and promotion to \$116,254 (May 31, 2018 - \$214,399) mainly due to the expiry of a promotion contract in the current year.
- A decrease in share based compensation to \$Nil (May 31, 2018 - \$395,542) due to the granting of option in the prior year.
- An increase in recovery of expenses \$93,122 (May 31, 2018 - \$Nil) due to the write off of statute barred payables in the current year.

Selected Annual Information

Canadian Dollars	Year ended May 31, 2019	Year ended May 31, 2018	Year ended May 31, 2017
Net loss and comprehensive loss			
In total	\$ (650,689)	\$ (1,215,161)	\$ (1,034,855)
Per share (basic and diluted)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Total assets	\$ 12,779,598	\$ 11,669,054	\$ 11,575,284
Exploration and evaluation assets	\$ 12,218,350	\$ 11,166,094	\$ 10,368,482
Working capital (deficiency)	\$ (1,046,196)	\$ (370,859)	\$ 243,069
Common shares	156,916,893	132,831,893	111,833,893

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight quarters with the figures for each quarter in Canadian dollars.

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Quarter Ending	Other Income / (Expense)	Net Loss	Net Loss per Share
May 31, 2019	\$ 93,122	\$ 96,142	\$ 0.00
February 28, 2019	Nil	184,484	0.00
November 30, 2018	Nil	212,223	0.00
August 31, 2018	Nil	157,840	0.00
May 31, 2018	Nil	210,180	0.00
February 28, 2018	Nil	536,194	0.01
November 30, 2017	Nil	249,760	0.00
August 31, 2017	Nil	219,027	0.00

Off Balance Sheet Arrangements

At May 31, 2019, the Company did not have any off balance sheet arrangements to disclose.

Liquidity and Capital Resources

The Company has financed its operations primarily by the issue of share capital and loans from related parties.

The continued operations of the Company are dependent on its ability to complete sufficient public equity financing, or generate profitable operations in the future.

The Company had working capital (deficiency) of \$(1,046,196) at May 31, 2019 (May 31, 2018 - \$(370,859)). The Company does not have sufficient working capital to meet its obligations for the next twelve months.

The Company's capital needs in the current and previous years have been met by the following equity financings:

Year ended May 31, 2019:

The Company closed a private placement for gross proceeds of \$1,204,250 as follows:

In April 2019, the Company closed a private placement tranche for total proceeds of \$152,500. The terms were: 3,050,000 units at a price of \$0.05 per unit. All units consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share for five years at a price of \$0.05 per share.

In December 2018, the Company closed a private placement tranche for total proceeds of \$211,750. The terms were: 4,235,000 units at a price of \$0.05 per unit. All units consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share for five years at a price of \$0.05 per share. The Company paid finders fees of \$7,500 relating to this private placement tranche.

In September 2018, the Company closed a private placement tranche for total proceeds of \$840,000. The terms were: 16,800,000 units at a price of \$0.05 per unit. All units consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share for five years at a price of \$0.05 per share. The Company paid finders fees of \$71,000 relating to this private placement tranche.

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Year ended May 31, 2018:

The Company closed a private placement for gross proceeds of \$1,000,000 as follows:

In January 2018, the Company closed a private placement tranche for total proceeds of \$500,000. The terms were: 10,000,000 units at a price of \$0.05 per unit. All units consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share for five years at a price of \$0.05 per share. The Company paid finders fees of \$32,700 relating to this private placement tranche.

In December 2017, the Company closed a private placement tranche for total proceeds of \$500,000. The terms were: 10,000,000 units at a price of \$0.05 per unit. All units consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share for five years at a price of \$0.05 per share. The Company paid finders fees of \$50,000 relating to this private placement tranche.

During the year ended May 31, 2018, 998,000 warrants were exercised for cash proceeds of \$62,860.

Transactions with Related Parties

Due to Related parties balances consisted of the following*:

	May 31 2019	May 31 2018
Due to Directors and Officers*	\$ 810	\$ 509
Due to Company controlled by a Director*	2,932	2,329
Due to a major shareholder**	682,240	-
	\$ 685,982	\$ 2,838

* Unsecured, non-interest bearing, with no fixed terms of repayment.

** Unsecured, 10% interest, with no fixed terms of repayment.

The Company entered into the following transactions with related parties. All related party transactions were measured at the amount of consideration established and agreed to by the related parties.

- a) The Company was charged \$120,000 (May 31, 2018 - \$120,000) by an officer for services to the Company.
- b) Share based payments of \$Nil (May 31, 2018 - \$324,000) were attributable to directors and officers using the Black-Scholes option pricing model.
- c) The Company was charged \$36,000 (May 31, 2018 - \$32,500) by an officer for rent.
- d) The Company was charged \$12,538 in professional fees (May 31, 2018 - \$9,234) by a company controlled by a director.
- e) The Company accrued \$32,240 in interest on loans of \$650,000 (May 31, 2018 - \$3,452) to a company controlled by a major shareholder.

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Provisions, Contingent Liabilities and Contingent Assets

Under IFRS, restoration provisions are measured at the inflation adjusted present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability.

Financial Instruments and Other Instruments

Financial instruments are exposed to commodity price risk, liquidity and market risks.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations. Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year. During the past year the Company has been able to maintain its liquidity through private placements.

Outstanding Share Data as of the date of this report:

The authorized share capital consists of an unlimited number of common shares.

Common shares – 156,916,893 common shares were issued and outstanding.

Warrants - The Company has the following warrants outstanding at the date of this report:

TOTAL NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATES
4,900,000	\$ 0.07	November 16, 2019
18,400,000	\$ 0.05	June 2, 2020
19,850,000	\$ 0.05	January 31, 2022
5,800,000	\$ 0.055	January 31, 2022
10,000,000	\$ 0.05	December 1, 2022
10,000,000	\$ 0.05	January 24, 2023
16,800,000	\$ 0.05	September 6, 2023
4,235,000	\$ 0.05	December 10, 2023
3,050,000	\$ 0.05	April 25, 2024
<u>93,035,000</u>		

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Options – The Company has the following options outstanding at the date of this report:

TOTAL NUMBER OF OPTIONS	EXERCISE PRICES	EXPIRY DATES
400,000	\$ 0.10	March 25, 2020
2,625,000	\$ 0.05	June 21, 2021
350,000	\$ 0.055	December 19, 2021
50,000	\$ 0.10	April 24, 2022
6,970,000	\$ 0.06	January 13, 2023
<u>10,395,000</u>		

Investor Relations

Directors and Officers of the Company participate in a limited investor relations program.

Disclosure Controls and Procedures

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s IFRS. The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.