

KLONDIKE SILVER

OUR VISION: Silver/Lead/Zinc Production

KLONDIKE SILVER ANNOUNCES CLOSING OF CONVERTIBLE DEBENTURE FINANCING

January 16, 2020 - Vancouver, Canada – Klondike Silver Corp. (the “Company”) (TSX.V: KS) is pleased to announce that the Company has closed its previously announced convertible debenture (the “**Convertible Debenture**”) financing with Munday – Maxwell & Gaylene – Association (the “**Lender**”), pursuant to which the Lender has agreed to loan, in one or more advances, up to Cdn\$2,500,000 to the Company. The terms of the Convertible Debenture and transaction with the Lender were approved by the Company’s disinterested shareholders at the Company’s annual general and special meeting held on December 31, 2019 and accepted by the TSX Venture Exchange (the “**Exchange**”) as required by applicable Exchange rules and policies.

Amendments to the Terms of the Convertible Debenture

Prior to executing the Convertible Debenture, the Company and the Lender agreed to amend the terms of the Convertible Debenture (as previously disclosed in the Company’s press release dated December 23, 2019 (the “**December 23 Press Release**”) and 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) as follows:

- rather than drawing down an initial advance of \$1,457,180.74 under the Convertible Debenture to repay in full the outstanding principal and accrued interest owing to the Lender under certain pre-existing promissory notes (the “**Promissory Notes**”), the Company and the Lender have agreed to restructure the transaction such that the Promissory Notes will be restructured and settled in full by the Company on the condition that the full amount of the outstanding principal and accrued interest will be rolled-over and treated as an advance under the Convertible Debenture. Proceeds from any future advances under the Convertible Debenture will be used to advance the exploration of the Company’s Sardon Silver Lead Zinc project (specifically, underground drilling) and for general working capital and administrative purposes; and
- the aggregate amount of outstanding principal and accrued interest of \$1,457,180.74 owing under the Promissory Notes that has been settled and restructured pursuant to the Convertible Debenture will be convertible, in whole or in part, into units (“**Units**”) of the Company at a conversion price of Cdn\$0.05 per Unit during the first year of the Convertible Debenture and Cdn\$0.10 per Unit during all subsequent years of the Convertible Debenture and each Unit will be comprised of one (1) common share and one (1) common share purchase warrant (each a, “**Warrant**”) of the

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Company, with each Warrant being exercisable 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. However, (i) any future advances under the Convertible Debenture will be convertible, in whole or in part, into Units at a conversion price equal to the then prevailing market price of the Company's common shares as of the date on which the Company makes a request for such additional advance from the Lender; and (ii) the exercise price of the Warrants will be equal to the then prevailing market price of the Company's common shares as of the date on which the Company makes a request for such additional advance from the Lender.

Except for the amendments described above, the principal terms of the Convertible Debenture, as summarized and described in the December 23 Press Release and the Circular, remain the same and unchanged.

The Convertible Debenture is subject to a four month and one-day restricted resale period expiring on May 16, 2020, in accordance with the policies of the TSX Venture Exchange and applicable securities law. All securities issuable under the terms of the Convertible Debenture will similarly be subject to a four month and one-day restricted resale period.

About Klondike Silver

Klondike's Silvana Mine Silver Lead Zinc 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

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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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