



Condensed Consolidated Interim Financial Statements

August 31, 2019 and 2018

(Unaudited)
(Expressed in Canadian Dollars)

Victoria Gold Corp.

August 31, 2019 and February 28, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying condensed consolidated interim financial statements and all other financial information included in this report are the responsibility of management. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Financial statements include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances to ensure that the consolidated financial statements are presented fairly, in all material respects.

Management maintains appropriate systems of internal control, to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of three Directors, all of whom are non-management and independent, meets with management to review the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial reporting standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "John McConnell"
Director, President and CEO
October 25, 2019

(signed) "Marty Rendall"
CFO
October 25, 2019

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	August 31, 2019	February 28, 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 45,590,097	\$ 12,322,795
Marketable securities and warrants		331,838	302,919
HST and other receivables		1,938,338	3,155,100
Due from related parties	13	1,380,359	1,366,950
Prepaid expenses		684,223	1,240,286
		<u>49,924,855</u>	<u>18,388,050</u>
Non-current assets			
Deferred financing fees		-	2,373,292
Restricted cash	5	11,433,576	14,941,444
Resource properties	5	32,835,698	30,463,977
Property, plant and equipment	6	575,460,931	456,448,575
		<u>\$ 669,655,060</u>	<u>\$ 522,615,338</u>
Total assets			
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 24,733,474	\$ 76,599,319
Deferred premium	11	1,094,430	-
Current portion of right-of-use liability	6	288,903	-
Current portion of derivative instruments	8	1,641,715	-
Current portion of long-term debt	7	39,615,728	11,552,952
		<u>67,374,250</u>	<u>88,152,271</u>
Non-current liabilities			
Deferred taxes	20	-	3,300,000
Right-of-use-liability	6	1,342,831	-
Derivative instruments	8	33,993,749	14,634,483
Long-term debt	7	251,381,791	116,546,077
Asset retirement obligations ("ARO")	9	13,118,667	8,405,028
		<u>367,211,288</u>	<u>231,037,859</u>
Total liabilities			
Shareholders' Equity			
Share capital	11	358,335,147	328,239,074
Contributed surplus		23,214,331	22,485,359
Accumulated other comprehensive loss		(2,588,715)	(2,599,650)
Accumulated deficit		(76,516,991)	(56,547,304)
		<u>302,443,772</u>	<u>291,577,479</u>
Total shareholders' equity			
		<u>\$ 669,655,060</u>	<u>\$ 522,615,338</u>
Total liabilities and equity			

Nature of operations and going concern (Note 1)

See accompanying notes to the condensed consolidated interim financial statements.

**Authorized for issue by the Board
of Directors on October 25th, 2019
and signed on its behalf.**

"T. Sean Harvey"

Director

"Chris Hill"

Director

Victoria Gold Corp.

Condensed Consolidated Interim Statements of Income / (Loss) and Comprehensive Income / (Loss)

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	For the three months ended August 31,		For the six month period ended August 31,	
		2019	2018	2019	2018
Operating expenses					
Salaries and benefits excluding share-based payments		\$ 630,990	\$ 683,009	\$ 1,411,941	\$ 1,132,391
Office and administrative		569,818	347,652	924,517	540,278
Share-based payments	12	190,102	159,289	469,400	278,435
Marketing		271,805	82,991	546,654	218,748
Legal and accounting		86,291	70,351	146,701	96,511
Consulting	19	51,576	42,073	72,967	2,603,832
Amortization		29,501	1,193	59,001	2,145
Foreign exchange (gain) loss		(2,713,470)	(83,016)	734,962	(1,819,547)
		(883,387)	1,303,542	4,366,143	3,052,793
Finance (income) costs					
Unwinding of present value discount: ARO		80,803	21,176	124,743	34,092
Interest and bank charges		17,468	15,178	32,630	25,288
Interest income		(251,618)	(373,596)	(443,403)	(684,883)
Change in fair value of marketable securities		(62,528)	(643)	(28,919)	198,713
Change in fair value of derivative instruments	8	23,306,786	(6,649,372)	21,000,981	(4,051,099)
		23,090,911	(6,987,257)	20,686,032	(4,477,889)
Income / (loss) before taxes					
		(22,207,524)	5,683,715	(25,052,175)	1,425,096
Deferred tax (expense) recovery	20	743,882	-	5,082,488	-
Net income / (loss)					
		(21,463,642)	5,683,715	(19,969,687)	1,425,096
Other Comprehensive income (loss)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation adjustment		81,978	(17,837)	10,935	(41,278)
Total items that may be reclassified subsequently to profit or loss					
		81,978	(17,837)	10,935	(41,278)
Total comprehensive income / (loss) for the period					
		\$ (21,381,664)	\$ 5,665,878	\$ (19,958,752)	\$ 1,383,818
Income / (loss) per share - basic and diluted					
	10	\$ (0.025)	\$ 0.007	\$ (0.024)	\$ 0.002
Weighted average number of shares					
Basic and Diluted	10	858,394,437	776,677,633	833,066,653	713,879,936
Diluted		858,394,437	789,189,300	833,066,653	726,391,603

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited)

(Expressed in Canadian Dollars)

Notes	Share capital		Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total equity	
	Number of shares	Amount					
	517,137,416	\$ 216,096,163	\$ 22,427,641	\$ (2,539,471)	\$ (44,571,239)	\$ 191,413,094	
	Transactions with owners:						
	250,000,000	125,000,000				125,000,000	
		(5,290,998)				(5,290,998)	
		(4,359,350)				(4,359,350)	
	9,568,750	1,829,900				1,829,900	
		926,964	(926,964)			-	
		(8,264,325)				(8,264,325)	
			278,435			278,435	
			209,656			209,656	
	259,568,750	109,842,191	(438,873)	-	-	109,403,318	
					1,425,096	1,425,096	
	Other comprehensive income/(loss):						
				(41,278)		(41,278)	
	Balance at August 31, 2018	776,706,166	\$ 325,938,354	\$ 21,988,768	\$ (2,580,749)	\$ (43,146,143)	\$ 302,200,230
	785,972,833	\$ 328,239,074	\$ 22,485,359	\$ (2,599,650)	\$ (56,547,304)	\$ 291,577,479	
	Transactions with owners:						
	72,421,604	34,413,406				34,413,406	
		-	-			-	
		(1,440,415)				(1,440,415)	
			469,400			469,400	
			259,572			259,572	
		(2,876,918)				(2,876,918)	
	72,421,604	30,096,073	728,972	-	-	30,825,045	
					(19,969,687)	(19,969,687)	
	Other comprehensive income/(loss):						
				10,935		10,935	
	Balance at August 31, 2019	858,394,437	\$ 358,335,147	\$ 23,214,331	\$ (2,588,715)	\$ (76,516,991)	\$ 302,443,772

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(Expressed in Canadian Dollars)

		For the six month period ended August 31,	
	Notes	2019	2018
Cash flows from operating activities			
Net income/(loss) for the period		\$ (19,969,687)	\$ 1,425,096
Adjustments for:			
Share-based payments	12	469,400	278,435
Income taxes	20	(5,082,488)	-
Unwinding of present value discount: ARO	9	87,567	34,092
Change in fair value of marketable securities		(28,919)	198,713
Change in fair value of derivative instruments	8	21,000,981	(4,051,099)
Amortization		59,001	2,145
Net unrealized foreign exchange (gain) loss		5,430,854	(566,505)
		1,966,709	(2,679,123)
Working capital adjustments:			
(Increase) decrease in HST and other receivables		1,216,762	(1,439,286)
(Increase) decrease in marketable securities		-	-
(Increase) decrease in prepaid expenses and deposits		555,093	(837,808)
Increase (decrease) in accounts payables and accrued liabilities		1,262,762	(771,411)
		3,034,617	(3,048,505)
Net cash flows from (used) in operating activities		5,001,326	(5,727,628)
Cash flows from (used) in investing activities			
Sale of mineral property interest	5	19,600,000	49,000,000
Resource properties	5	(2,028,376)	(4,267,092)
Related party loan	13	-	(1,006,933)
Restricted cash		(741,189)	(1,455,277)
Purchase of property, plant and equipment		(175,703,977)	(114,817,129)
Net cash flows from (used) in investing activities		(158,873,542)	(72,546,431)
Cash flows from financing activities			
Shares issued for cash, net of issuance cost	11	32,972,991	116,735,675
Exercise of warrants and options		-	1,829,900
Credit Facility, net of deferred finance fees	7	158,168,433	7,627,669
Repayment of long-term debt	7	(3,918,001)	-
Repayment of right-of-use liability		(252,596)	-
Net cash flows from financing activities		186,970,827	126,193,244
Foreign exchange gain (loss) on cash balances		168,691	391,030
Net increase (decrease) in cash and cash equivalents		33,267,302	48,310,215
Cash and cash equivalents, beginning of the period		12,322,795	9,374,888
Cash and cash equivalents, end of the period		\$ 45,590,097	\$ 57,685,103

See accompanying notes to the condensed consolidated interim financial statements. Supplementary Cash Flow information is provided in Note 16.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Victoria Gold Corp. (“Victoria” or “the Company”), a British Columbia company, was incorporated in accordance with the Business Corporations Act (British Columbia) on September 21, 1981. The Company’s common shares are listed on the TSX-Venture Exchange (TSX-V).

The Company is engaged in the acquisition, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties and is considered to be an exploration and development stage company, with a current focus on mine construction. The Company’s registered office is located at 80 Richmond St. West, Suite 303, Toronto, Ontario, M5H 2A4, Canada.

These condensed consolidated interim financial statements have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company’s future is currently dependent upon the existence of economically recoverable mineral reserves and its ability to successfully ramp up production on time and on budget.

The Company periodically seeks financing to continue the exploration and development of its resource properties, transition into commercial production and to meet its future administrative requirements. The Company is focussed on the generation of positive cash flows to ensure debt service and repayment terms are met. Although the Company has been successful in raising funds to date, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods. These material uncertainties lend significant doubt about the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern and therefore these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

At August 31, 2019, Victoria Gold Corp. (“Victoria” or “the Company”) had a working capital deficit of \$17,449,395 (compared with a deficit of \$69,764,221 at February 28, 2019), an accumulated deficit of \$76,516,991 (\$56,547,304 at February 28, 2019) and reported a net loss of \$19,969,687 for the six month period then ended (2018 net income - \$1,425,096). The Company’s debt facilities are fully drawn with \$39,615,728 coming due within twelve months of August 31, 2019.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the six months ended August 31, 2019 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended February 28, 2019, which have been prepared in accordance with IFRSs.

These consolidated financial statements include the accounts of Victoria and its wholly-owned subsidiaries including:

- Victoria Resources (U.S.) Inc., a Nevada corporation,
- Gateway Gold Corp., a British Columbia corporation,
- Gateway Gold (USA) Corp., a Nevada corporation,
- StrataGold Corporation, a British Columbia corporation,

Gateway Gold Corp. and Gateway Gold (USA) Corp. (together referred to as “Gateway”) were acquired by the Company on December 18, 2008.

StrataGold Corporation (“StrataGold”) was acquired by the Company on June 4, 2009.

These financial statements were approved by the Board of Directors for issue on October 25, 2019.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in the presentation of these condensed consolidated interim financial statements are consistent with those of the previous financial year, with the exception of the first time accounting pronouncement noted below:

i) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 "Leases", which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard becomes effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The Company adopted the new standard beginning March 1, 2019 using the modified retrospective approach. Under the modified retrospective approach, the Company recognizes transition adjustments, if any, in retained earnings on the date of initial application, without restating the financial statements on a retrospective basis. Comparative information has not been restated and continues to be reported under IAS 17 — Leases ("IAS 17") (accounting standard in effect for those periods). The impact of adoption of IFRS 16 is disclosed in *Note 6*.

The Company has assessed the estimated impact of the initial application of IFRS 16 on the consolidated financial statements. The new standard resulted in an increase in assets and liabilities, a corresponding increase in amortization and interest expense and a decrease in capitalized costs and office and administrative expenses. Cash flow from operating activities will increase under the new standard because lease payments for most leases will be recorded as cash outflows from financing activities in the statements of cash flows. Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight line basis for short term leases (lease term of 12 months or less) and low value assets.

The Company has applied the following practical expedients permitted by IFRS 16:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at March 1, 2019 as short-term leases;
- the exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Policy applicable from March 1, 2019:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether:

- the contract involves the use of an explicitly or implicitly identified asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the contract term;
- the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing cost. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the property, plant and equipment line item on the condensed consolidated interim statements of financial position and lease liabilities in the lease obligations line item on the condensed consolidated interim statements of financial position.

Short-term leases and leases of low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the condensed consolidated interim statements of comprehensive income (loss).

ii) IFRIC 23, Uncertainty over Income Tax Treatments

Uncertainty over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and is to be applied to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation becomes effective for annual periods beginning on or after January 1, 2019 and there was no impact on the Company's condensed consolidated interim financial statements upon adoption of the interpretation.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended February 28, 2019.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

5. RESOURCE PROPERTIES

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 28, 2019	\$ 6,987,892	\$ 21,766,656	\$ 1,709,429	\$ 30,463,977
Sale of property interest	(467,954)	-	-	(467,954)
Salaries and benefits	27,690	482,594	-	510,284
Amortization	-	-	-	-
Consulting and administration	15,367	425,250	-	440,617
Land claims and royalties	67,275	-	25,000	92,275
Environmental and permitting	10,035	75,655	-	85,690
Government and community relations	-	49,749	-	49,749
Drilling and indirects	-	363,177	-	363,177
Other exploration	-	1,227,839	-	1,227,839
Asset retirement obligation adjustment	-	-	-	-
Exploration and evaluation costs for the period	120,367	2,624,264	25,000	2,769,631
Currency translation	70,044	-	-	70,044
Balance August 31, 2019	\$ 6,710,349	\$ 24,390,920	\$ 1,734,429	\$ 32,835,698

** Other properties include interests in Donjek, Aurex, CanAlask, Dace and Clear Creek in Yukon Territory.

As of August 31, 2019, restricted cash consists of \$0.4 million relating to Santa Fe, \$4.3 million for Dublin Gulch and \$6.7 million for the CAT financial facility which requires a 10% deposit of each drawdown into a debt service reserve account ("DSRA"). The restricted cash for Dublin Gulch is a restricted guaranteed investment certificate ("GIC") that supports a line of credit that the Bank of Nova Scotia provides to a surety provider that in turn provides a \$21.6M surety bond related to the reclamation performance bond.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 28, 2018	\$ 6,635,060	\$ 155,523,884	\$ 1,581,204	\$ 163,740,148
Transfer to property, plant and equipment		(92,773,088)		(92,773,088)
Sale of property interest *	-	(49,000,000)	(30,000)	(49,030,000)
Salaries and benefits	55,346	987,016	-	1,042,362
Amortization	-	-	-	-
Consulting and administration	19,745	1,410,125	-	1,429,870
Land claims and royalties	67,659	79,640	58,265	205,564
Environmental and permitting	24,122	334,810	-	358,932
Government and community relations	-	65,480	-	65,480
Drilling and indirects	-	1,278,490	-	1,278,490
Other exploration	-	3,860,299	99,960	3,960,259
Asset retirement obligation adjustment	(1,430)	-	-	(1,430)
Exploration and evaluation costs for the year	165,442	8,015,860	158,225	8,339,527
Currency translation	187,390	-	-	187,390
Balance February 28, 2019	\$ 6,987,892	\$ 21,766,656	\$ 1,709,429	\$ 30,463,977

** Other properties include interests in Donjek, Aurex, CanAlask, Dace and Clear Creek in Yukon Territory.

* On April 13, 2018, the Company entered into a royalty agreement with respect to the granting of a 5% net smelter return royalty (subject to reduction to 3% upon the achievement of certain output thresholds) on the Dublin Gulch property (subject to certain exclusions), which includes the Eagle Gold project for an aggregate purchase price of \$98 million. \$49 million was received during the period ended May 31, 2018 and the remaining of \$49 million of the royalty purchase is funded pro rata to drawdowns under the subordinated debt component of the Orion credit facilities (Note 6 & 7).

The Company recognized the first tranche of \$49 million as a sale of mineral property interest and the consideration received has been recorded as a recovery of mineral property costs. Accordingly, no gain or loss was recognized on the transaction.

Following closing of the financing facilities (see Note 7 and 11), the Company determined that the Eagle Gold mine had demonstrated technical feasibility and commercial viability as the Company completed a comprehensive financing package, had received major permits required to build and operate the Eagle Gold mine, and had issued a positive feasibility study in 2016. As a result, management assessed the asset for impairment and determined that no impairment exists, and exploration and evaluation assets of \$92.8 million were transferred to construction in progress within property, plant and equipment.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Other assets	Right-of- use-assets	Leasehold improvements	Buildings/ structure	Field & automotive equipment	Construction in progress	Total
Cost							
March 1, 2018	\$ 852,956	\$ -	\$ 146,532	\$10,554,796	\$ 1,026,944	\$ -	\$ 12,581,228
Transfer from mineral property	-	-	-	-	-	92,773,088	92,773,088
Sale of property interest (<i>Note 6</i>)	-	-	-	-	-	(29,400,000)	(29,400,000)
Additions	215,031	-	-	5,826,060	7,102,214	374,986,192	388,129,497
February 28, 2019	1,067,987	-	146,532	16,380,856	8,129,158	438,359,280	464,083,813
<i>IFRS 16</i> transition March 1, 2019	-	1,896,769	-	-	-	-	1,896,769
Sale of property interest (<i>Note 6</i>)	-	-	-	-	-	(19,600,000)	(19,600,000)
Additions	155,766	-	441,230	391,412	46,259,114	92,487,482	139,735,004
August 31, 2019	\$1,223,753	\$1,896,769	\$ 587,762	\$16,772,268	\$54,388,272	\$ 511,246,762	\$586,115,586
Accumulated amortization							
March 1, 2018	\$ 624,930	\$ -	\$ 21,975	\$ 4,090,719	\$ 255,462	\$ -	\$ 4,993,086
Charge	205,986	-	13,879	1,453,392	968,895	-	2,642,152
February 28, 2019	830,916	-	35,854	5,544,111	1,224,357	-	7,635,238
Charge	36,854	311,294	38,952	509,352	2,122,965	-	3,019,417
August 31, 2019	\$ 867,770	\$ 311,294	\$ 74,806	\$ 6,053,463	\$ 3,347,322	\$ -	\$ 10,654,655
Net book value							
March 1, 2018	\$ 228,026	\$ -	\$ 124,557	\$ 6,464,077	\$ 771,482	\$ -	\$ 7,588,142
February 28, 2019	\$ 237,071	\$ -	\$ 110,678	\$10,836,745	\$ 6,904,801	\$ 438,359,280	\$456,448,575
August 31, 2019	\$ 355,983	\$1,585,475	\$ 512,956	\$10,718,805	\$51,040,950	\$ 511,246,762	\$575,460,931

During the period ended August 31, 2019, the Company capitalized amortization related to construction in progress of \$3.0 million (\$1.2 million – 2018).

In April 2018, the Company determined that the Eagle project demonstrated technical feasibility and commercial viability and, as a result, transferred the balance of the mineral property assets relating to the project to construction in progress (*Note 5*). All costs capitalized as part of construction in progress will commence to be amortized upon achievement of commercial production.

For the second tranche of the royalty purchase (*Note 7*), the Company recognized \$29.4 million as a sale of property interest during the year ended February 28, 2019 and the remaining \$19.6 million of the royalty purchase received during the quarter ended May 31, 2019 is considered a recovery of construction in progress costs. Accordingly, no gain or loss was recognized on the transactions.

The carrying value of equipment pledged as security for the related Equipment Financing Facility as at August 31, 2019 was \$57.7 million (\$59.4 million- 2018). (*Note 7*)

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at March 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. Upon transition to IFRS 16, the Company recognized an additional

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

\$1,896,769 of right-of-use assets and \$1,896,769 of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at March 1, 2019. The weighted average cost of capital applied to the lease liabilities on March 1, 2019 was 8.80%. The lease liabilities at March 1, 2019 can be reconciled to the operating lease commitments as of February 28, 2019 as follows:

Operating lease commitments at February 28, 2019	\$ 2,378,510
Adjustment for short term and low value leases	<u>(193,743)</u>
Operating lease commitments at February 28, 2019	\$ 2,184,767
Discounting using the March 1, 2019 weighted average cost of capital	<u>(287,998)</u>
Lease liabilities recognized at March 1, 2019	<u>\$ 1,896,769</u>
Current lease liability	564,998
Non-current lease liability	<u>1,331,771</u>
Lease liabilities recognized at March 1, 2019	<u>\$ 1,896,769</u>
Current lease liability	288,903
Non-current lease liability	<u>1,331,771</u>
Lease liabilities recognized at August 31, 2019	<u>\$ 1,620,674</u>

7. DEBT

On May 28, 2019 the Company announced certain amendments to its existing debt facilities. The Company increased the senior secured credit facility to US\$100 million from US\$75 million while decreasing the subordinated secured credit facility to US\$75 million from US\$100 million. The quantum of the combined credit facilities remains unchanged at US\$175 million. The subordinated secured credit facility continues to be held by Orion Mine Finance ("Orion") while the senior secured credit facility is held by Societe Generale ("SocGen"), Macquarie Bank Ltd. ("Macquarie") and Caterpillar Financial Services Limited ("Cat Financial").

Debt Facilities

Senior Secured Debt Facility

US\$100 million debt facility with SocGen, Macquarie and Cat Financial under the following commercial terms:

- Interest rate of 3-month LIBOR plus 5.00%;
- Interest accrues until May 31, 2020;
- Principal and accrued interest is repayable in 15 quarterly installments beginning on May 31, 2020.

As at August 31, 2019, the Company had drawn the full US\$100 million of the Senior Secured Debt Facility. Deferred financing charges in the amount of \$1.5 million will be amortized over the term using the effective interest rate method.

Subordinated Loan Facility

US\$75 million debt facility with Orion under the following commercial terms:

- Interest rate of 3-month LIBOR plus 6.70%;
- Interest accrues until May 31, 2020;
- Accrued interest is repayable quarterly beginning on August 31, 2020;
- Principal is due at maturity on May 31, 2024.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

As at August 31, 2019, the Company had drawn the full US\$75 million of the Subordinated Loan Facility. Deferred financing charges in the amount of \$1.8 million will be amortized over the term using the effective interest rate method.

Equipment Finance Facility

US\$50 million facility with Caterpillar Financial Services Limited ("Cat Financial") under the following commercial terms:

- Available for drawdown against the acquisition cost of Cat mining equipment;
- Interest rate of 3-month LIBOR plus 4.25%;
- 4-6 year, amortizing facility, maturing between November 29, 2022 and July 1, 2025 (the "Term");
- Secured by Cat mining equipment.

Each drawdown made under the Equipment Finance Facility is amortized and repaid over a term of 4 to 6 years, not exceeding the maturity date (July 1, 2025). Upon drawdown, 10% is immediately repayable, with the remainder to be repaid in quarterly instalments as set out by each drawdown's amortization schedule. In addition, the Company is required to deposit 10% of each drawdown into a debt service reserve account ("DSRA"). Funds in the DSRA are released back to the Company when certain conditions defined in the Equipment Finance Facility are met.

As at August 31, 2019, the Company had drawn US\$49.9 million. Quarterly repayments commenced in November 2018. Deferred financing charges in the amount of \$2.7 million will be amortized over the Term using the effective interest rate method.

	August 31, 2019	February 28, 2019
Senior Secured Debt Facility, principal	\$ 131,063,748	\$ -
Senior Secured Debt Facility, interest	2,110,185	
Senior Secured Debt Facility, ending balance	<u>\$ 133,173,933</u>	<u>\$ -</u>
Subordinated Loan Facility, principal	\$ 102,842,299	\$ 77,689,058
Subordinated Loan Facility, interest	2,549,460	2,421,416
Subordinated Loan Facility, ending balance	<u>\$ 105,391,759</u>	<u>\$ 80,110,474</u>
Equipment Finance Facility, principal	\$ 51,830,431	\$ 47,644,733
Equipment Finance Facility, interest	601,396	343,822
Equipment Finance Facility, ending balance	<u>\$ 52,431,827</u>	<u>\$ 47,988,555</u>
	<u>\$ 290,997,519</u>	<u>\$ 128,099,029</u>
Less: Current portion	<u>(39,615,728)</u>	<u>(11,552,952)</u>
Debt	<u>\$ 251,381,791</u>	<u>\$ 116,546,077</u>

During the period ended August 31, 2019 the Company incurred interest expense of \$8.9 million (2018 - \$0.1 million) and amortized deferred financing charges of \$0.6 million (2018 - \$nil). These charges were capitalized to construction in progress.

The Equipment Finance Facility with CAT is secured by leased equipment with a carrying value of \$57.7 million as of August 31, 2019 (\$59.4 million- 2018).

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

The Company's scheduled debt principal repayments as at August 31, 2019 are summarized in the table, below:

Scheduled Debt Principal Repayments (by fiscal year)

	Feb. 29, 2020	Feb. 28, 2021	Feb. 28, 2022	Feb. 28, 2023	Feb. 29, 2024	2025 and thereafter	Total
Senior Secured Debt Facility	-	35,453,334	35,453,333	35,453,333	26,590,000	-	\$ 132,950,000
Subordinated Loan Facility	-	-	-	-	-	99,712,500	99,712,500
Equipment Finance Facility	4,750,015	8,164,042	9,833,776	10,685,085	10,422,249	7,028,193	50,883,360
	<u>\$4,750,015</u>	<u>\$43,617,376</u>	<u>\$45,287,109</u>	<u>\$46,138,418</u>	<u>\$37,012,249</u>	<u>\$ 106,740,693</u>	<u>\$ 283,545,860</u>

8. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Instruments outstanding	Quantity outstanding	Remaining term	Exercise price (C\$/oz)	Fair value - asset (liability) ⁽¹⁾
<u>Zero-cost collars</u>				
Gold call options - sold	100,000 oz	June 2020 - December 2021	\$ 1,936	\$ (21,834,777)
Gold put options - purchased	100,000 oz	June 2020 - December 2021	\$ 1,500	652,707
				<u>\$ (21,182,070)</u>
<u>Gold call options</u>				
Gold call options - sold	20,000 oz	April 13, 2023	US\$1,485	<u>(7,103,394)</u>
<u>Warrants</u>				
Warrants	25,000,000	April 13, 2023	\$ 0.625	<u>(7,350,000)</u>
				<u>\$ (35,635,464)</u>

1. The Company presents the fair value of put and call options on a net basis on the Condensed Consolidated Interim Statements of Financial Position. The Company has a legally enforceable right to set off the amounts under its option contracts and intends to settle on a net basis.

Zero Cost Collars

In May 2018, the Company entered into gold price zero cost collars using option contracts that the Company has elected not to designate as cash flow hedges for hedge accounting under IFRS 9. The purchase of gold put options was financed through selling gold call options at a higher level such that the net premium payable by the Company was \$nil. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the consolidated financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The Company recognized the mark-to-market adjustment of \$16.0 million loss in net income/(loss) of the condensed consolidated interim statements of comprehensive loss for the six months ended August 31, 2019.

Gold Call Options

On April 13, 2018, the Company sold a gold call option on 20,000 ounces of gold at a price of US\$1,485 per ounce, with an expiry date of April 13, 2023. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the consolidated financial statements based on contractual maturity.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at August 31, 2019 the gold call option fair value was \$7.1 million, using US\$1,521 per ounce of gold and a foreign exchange rate of 1.3295 US\$ to C\$. The Company recognized the mark-to-market adjustment \$3.6 million loss in net income/(loss) of the condensed consolidated interim statements of comprehensive loss for the six months ended August 31, 2019.

Warrants

On April 13, 2018, the Company granted 25,000,000 warrants with a strike price of \$0.625 and a term of five years. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the consolidated financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using Black-Scholes option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at August 31, the warrant fair value was \$7.4 million. The Company recognized the mark-to-market adjustment \$1.4 million loss in net income/(loss) of the condensed consolidated interim statements of comprehensive loss for the six months ended August 31, 2019.

9. ASSET RETIREMENT OBLIGATIONS

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and measured with the most reliable information available. Management's estimate is determined based on the net present value of estimated future cash expenditures for reclamation and closure activities. Reclamation and closure costs are capitalized into Resource properties dependent on the nature of the asset related to the obligation and amortized over the life of the related asset. Future changes to those regulations and standards, as well as changes resulting from operations, may result in actual reclamation costs differing from the estimate.

The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with the Santa Fe and Dublin Gulch properties. As a result of construction activities, the ARO was increased during the period ended August 31, 2019. The Company prepared the Dublin Gulch reclamation obligation using prescribed third-party contractor rates with a 10% contingency. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the reporting date use the following assumptions:

- a) total undiscounted amount of inflation adjusted future reclamation costs was determined to be \$15,161,106 for Dublin Gulch and \$408,446 for Santa Fe;
- b) weighted average risk-free interest rate at 1.5% and a long-term inflation rate of 2.0%; and
- c) expected timing of risk adjusted cash outflows required to settle the obligation will be incurred over the period through 2033 for Dublin Gulch and through 2028 for Santa Fe.

The following is an analysis of the Company's asset retirement obligation:

	August 31, 2019	February 28, 2019
Balance, beginning of period	\$ 8,405,028	\$ 2,228,313
Unwinding of discount: ARO	87,567	112,592
Currency translation	3,423	9,708
ARO change due to increased footprint	4,622,649	6,054,415
Balance, end of period	<u>\$ 13,118,667</u>	<u>\$ 8,405,028</u>

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

10. EARNINGS PER SHARE

(a) Basic

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of ordinary shares in issue during the year.

	For the three months ended August 31,		For the six months ended August 31,	
	2019	2018	2019	2018
Net income (loss)	\$ (21,463,642)	\$ 5,683,715	\$(19,969,687)	\$ 1,425,096
Weighted average number of common shares issued	858,394,437	776,677,633	833,066,653	713,879,936
Basic earnings (loss) per share	\$ (0.025)	\$ 0.007	\$ (0.024)	\$ 0.002

(b) Diluted

	For the three months ended August 31,		For the six months ended August 31,	
	2019	2018	2019	2018
Net income (loss) attributable to common shareholders	\$ (21,463,642)	\$ 5,683,715	\$(19,969,687)	\$ 1,425,096
Weighted average number of common shares issued	858,394,437	776,677,633	833,066,653	713,879,936
Adjustment for:				
Stock options	-	12,511,667	-	12,511,667
Weighted average number of ordinary shares for diluted earnings per share	858,394,437	789,189,300	833,066,653	726,391,603
Diluted earnings (loss) per share	\$ (0.025)	\$ 0.007	\$ (0.024)	\$ 0.002

The effect of potential issuances of shares under options would be anti-dilutive for the three and six month period ended August 31, 2019, and accordingly, basic and diluted loss per share are the same.

11. SHARE CAPITAL AND OTHER EQUITY

Authorized, issued and outstanding common shares

Common shares, no par value, authorized unlimited number of shares, issued and outstanding were 858,394,437 and 776,706,166 shares as at August 31, 2019 and 2018, respectively.

On April 2, 2019, the Company closed a private placement financing of 34,090,909 common shares of the Corporation at a price of \$0.44 per share for gross proceeds of \$15,000,000. The Company also closed an over-allotment brokered prospectus financing on April 5, 2019 of 10,020,695 common shares of the Corporation at a price of \$0.44 per share for gross proceeds of \$4,409,106. The Company also closed a brokered flow-through financing of 28,310,000 common shares of the Corporation that qualifies as "Canadian development expenses (CDE) flow through shares" at a price of \$0.53 per share for gross proceeds of \$15,004,300. Finders' fees of 5%, other than certain insider orders which were at 1.25%, and other issuance costs were paid in connection with this transaction. The shares were subject to a four-month hold period.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

On December 28, 2018, the Company closed a brokered flow-through share offering (the "Offering") raising gross proceeds of \$1.7 million, representing the issuance of 3,355,000 common shares priced at \$0.50 per share. Finders' fees of \$54,550 were paid for this transaction. Other issuance costs were paid in conjunction with the Offering. The flow-through shares were subject to a four-month hold period.

On April 16, 2018, the Company closed a private placement and issued 150,000,000 common shares to Orion and 100,000,000 common shares to Osisko at a price of \$0.50 per share for aggregate gross proceeds of \$125 million. The Company also completed the issuance to Orion of 25,000,000 common share purchase warrants. There were no finders' fees for this transaction. Other issuance costs, including the common share warrants, of \$8.6 million were paid for advisory and legal fees in conjunction with the Offering.

Deferred premium on flow-through shares

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is reduced and the reduction of premium liability is recorded as a tax recovery upon incurring qualifying expenditures. As at August 31, 2019, the Company recognized a deferred premium liability of \$1.1 million, net of qualifying CDE expenditures incurred as at August 31, 2019 relating to the flow-through shares financing completed on April 2, 2019 (see above).

12. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN AND WARRANTS

Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. At August 31, 2019, 43,168,116 (42,278,116 as at February 28, 2019) additional stock options were available for grant under the Company's stock option plan.

A summary of the status of the Plan as at August 31, 2019 and as at February 28, 2019, and changes during the periods ended on those dates is presented below:

	August 31, 2019			February 28, 2019		
	Number of stock options	Weighted average exercise price	Fair Value Assigned	Number of stock options	Weighted average exercise price	Fair Value Assigned
Outstanding, beginning of the period	30,030,000	\$ 0.44	\$5,271,658	29,305,417	\$ 0.27	\$4,181,751
Granted	-	\$ -	-	16,500,000	\$ 0.50	2,405,544
Exercised	-	\$ -	-	(15,480,417)	\$ 0.16	(1,276,936)
Expired	(850,000)	\$ 0.59	(273,056)	(25,000)	\$ 0.55	(7,435)
Forfeited	(40,000)	\$ 0.50	(3,896)	(270,000)	\$ 0.50	(31,266)
Outstanding, end of the period	29,140,000	\$ 0.44	\$4,994,706	30,030,000	\$ 0.44	\$5,271,658

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

As at August 31, 2019, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding as follows:

Date of grant	Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
December 15, 2015	6,600,000	6,600,000	\$ 0.15	December 15, 2020
August 9, 2016	300,000	300,000	\$ 0.70	August 9, 2021
January 12, 2017	5,050,000	5,050,000	\$ 0.55	January 12, 2020
April 24, 2017	1,190,000	1,190,000	\$ 0.72	April 24, 2020
May 28, 2018	5,680,000	5,680,000	\$ 0.50	May 28, 2021
August 15, 2018	3,880,000	3,880,000	\$ 0.50	August 15, 2021
January 25, 2019	6,440,000	3,220,000	\$ 0.50	January 25, 2022
	<u>29,140,000</u>	<u>25,920,000</u>		

The fair value of each option is accounted for in the statement of comprehensive loss or capitalized to resource properties over the vesting period of the options, and the related credit is included in contributed surplus.

On January 25, 2019, the Company granted 6,440,000 incentive stock options with an exercise price of \$0.50 per option to directors, officers and employees of the Company. The stock options have a term of three years and expire on January 25, 2022. The fair value of these options, totalling \$1,246,140, will be recognized (expensed and capitalized to resource properties) over the vesting period of one year, of which \$979,903 (\$654,283 expensed and \$325,620 capitalized to resource properties) has been recognized as at August 31, 2019. The fair value of these options was calculated based on a risk-free annual interest rate of 1.9%, an expected life of 3.0 years, an expected volatility of 61% and a dividend yield rate of nil. This results in an estimated fair value of \$0.19 per option at the grant date using the Black-Scholes option-pricing model.

On August 15, 2018, the Company granted 4,020,000 incentive stock options with an exercise price of \$0.50 per option to directors, officers, employees and consultants of the Company. The stock options have a term of three years and expire on August 15, 2021. 140,000 options have since been forfeited as at August 31, 2019. The fair value of these options, totalling \$377,912, has been fully recognized (\$193,790 expensed and \$184,122 capitalized to resource properties) as at August 31, 2019. The fair value of these options was calculated based on a risk-free annual interest rate of 2.1%, an expected life of 3.0 years, an expected volatility of 63% and a dividend yield rate of nil. This results in an estimated fair value of \$0.10 per option at the grant date using the Black-Scholes option-pricing model.

On May 28, 2018, the Company granted 6,040,000 incentive stock options with an exercise price of \$0.50 per option to directors, officers, employees and consultants of the Company. The stock options have a term of three years and expire on May 28, 2021. 270,000 options have since been forfeited as at May 31, 2019. The fair value of these options, totalling \$667,711, has been fully recognized (\$429,261 expensed and \$238,450 capitalized to resource properties) as at May 31, 2019. The fair value of these options was calculated based on a risk-free annual interest rate of 2.0%, an expected life of 3.0 years, an expected volatility of 65% and a dividend yield rate of nil. This results in an estimated fair value of \$0.12 per option at the grant date using the Black-Scholes option-pricing model.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the above assumptions and a forfeiture rate ranging from 8.9-10.0%.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

Warrants

The following table summarizes information regarding changes in the Company's warrants outstanding:

	August 31, 2019			February 28, 2019		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding, beginning of the period	65,000,000	\$ 0.487	\$10,979,350	40,000,000	\$ 0.40	\$ 6,620,000
Issued	-	\$ -	-	25,000,000	\$ 0.625	4,359,350
Expired	(40,000,000)	\$ 0.40	(6,620,000)			
Outstanding, end of the period	25,000,000	\$ 0.625	\$ 4,359,350	65,000,000	\$ 0.487	\$10,979,350

	Number of Warrants	Exercise price	Expiry date
Issued in private placement	25,000,000	\$ 0.625	April 13, 2023
	25,000,000		

The fair value of the warrants expiring on April 13, 2023 were estimated as of the date of issuance using the Black-Scholes option pricing model with the following assumptions: a risk-free annual interest rate of 2.1%, an expected life of 5 years, an expected volatility of 76% and a dividend yield rate of nil.

These April 13, 2023 warrants are considered financial instruments at FVTPL. The holder of the warrants may exercise the warrants for the Company's common shares. However, if the exercise would result in the holder's total share ownership exceeding 19.99% of the total number of the Company's common shares then issued and outstanding the Company would have to pay the value of the warrant. As a result, the warrants have been classified as a financial liability instrument and are recorded at fair value at each reporting period end using a Black-Scholes model. Warrant pricing models require the input of certain assumptions including price volatility and expected life. Changes in these assumptions could affect the reported fair value of the warrants (Note 8).

13. RELATED PARTIES

Related parties include key management personnel, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the six months ended August 31, 2019 and 2018 was as follows:

	2019	2018
Salaries and other short term employment benefits	\$ 1,019,750	\$ 915,375
Share based compensation	\$ 628,253	\$ 552,745

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

The Company granted unsecured loans in May 2018 which were subsequently amended in January 2019, to directors and officers of the Company at interest rates of 2% per annum and payable in full on January 9, 2020.

	August 31, 2019	February 28, 2019
Outstanding, beginning of the period	\$ 1,366,948	\$ -
Loans advanced	-	1,350,950
Loan repayments received	-	-
Interest charged	13,411	15,998
Interest received	-	-
Outstanding, end of the period	<u>\$ 1,380,359</u>	<u>\$ 1,366,948</u>

14. COMMITMENTS AND CONTINGENCIES

Leases

At August 31, 2019, the Company has future minimum annual lease commitments for equipment and office premises in: (1) Vancouver, BC, (2) Toronto, Ontario and (3) Whitehorse, Yukon, as follows:

to February 28, 2020	\$ 288,903
to February 29, 2021	588,614
to February 29, 2022	596,360
to February 28, 2023	122,118
to February 28, 2024 and thereafter	24,679
Total	\$ 1,620,674

Contingencies

A contractor has placed a lien on StrataGold Corporation in the amount of approximately \$8.2 million before tax in conjunction with certain construction activities. The Company has agreed to approximately \$4.2 million, of which approximately \$2.1 million has been paid and \$2.1 million accrued, while the remaining \$4.0 million is in dispute. The Company believes the disputed amount to be without merit. The Company may advance to legal proceedings should a settlement not be achieved.

15. SEGMENTED INFORMATION

The Company's principal activity is the exploration and development of mineral properties. The Company reports separately three operating segments, corporate segment and mineral exploration and development in two geographical segments, Canada and the United States. A breakdown of mineral properties by geographic expenditures is disclosed in Note 5.

In millions of Cdn \$	Canada	USA	Corporate	Total
As at August 31, 2019				
Property, plant and equipment	575.5	-	-	575.5
Resource properties	26.1	6.7	-	32.8
Total Assets	<u>614.4</u>	<u>7.1</u>	<u>48.2</u>	<u>669.7</u>

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

As at February 28, 2019

Property, plant and equipment	456.4	-	-	456.4
Resource properties	23.5	7.0	-	30.5
Total Assets	498.9	7.4	16.3	522.6

Period ended August 31, 2019

Net loss/(income) - Quarter	(2.8)	-	24.3	21.5
Net loss/(income) - YTD	(1.9)	-	21.9	20.0

Period ended August 31, 2018

Net loss/(income) - Quarter	0.7	-	(6.4)	(5.7)
Net loss/(income) - YTD	1.0	-	(2.4)	(1.4)

16. SUPPLEMENTARY CASH FLOW INFORMATION

	August 31, 2019	February 28, 2019
Non-cash investing and financing activities:		
Accounts payable and accrued liabilities relating to property, plant and equipment and resource property expenditures	\$ 20,986,794	\$ 74,124,215
Stock-based compensation, capitalized to resource properties (Note 12)	\$ 259,572	\$ 525,438
Income taxes paid	\$ -	\$ -
Interest paid	\$ 1,185,649	\$ 992,937

Reconciliation of movements in liabilities to cash flows arising from financing activities:

	Long term debt (Note 7)	Deferred Finance Charge	Right-of-use-Liability	Total
Balance, March 1, 2019	128,099,029	(2,373,292)	-	125,725,737
Changes from financing activities:				-
Net Proceeds from Credit Facility Draws:	158,416,235	-	-	158,416,235
Principal paid:	(2,723,681)	-	(252,596)	(2,976,277)
Interest paid:	(1,181,881)	-	(12,439)	(1,194,320)
Transaction Cost paid:	-	(247,802)	-	(247,802)
	282,609,702	(2,621,094)	(265,035)	279,723,573
Non-cash changes:				
Balance, March 1, 2019				
IFRS 16 transition March 1, 2019	-	-	1,896,769	1,896,769
Deferred financing fees attributable to draws	(2,621,094)	2,621,094	-	-
Foreign exchange (gain) / loss	1,409,597	-	-	1,409,597
Capitalized amortization of deferred financing fees	647,631	-	-	647,631
Capitalized interest	8,951,683	-	-	8,951,683
Balance, August 31, 2019	290,997,519	0	1,631,734	292,629,253

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

17. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of capital stock, contributed surplus and accumulated deficit. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development, construction and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its resource properties and maximize shareholder returns. The Company satisfies its capital requirements through management of its cash resources and by utilizing bank indebtedness, project or equipment financing, a royalty or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets.

Management reviews its capital management approach on an ongoing basis. There were no significant changes in the Company's approach to capital management during the three months ended August 31, 2019. The Company is not subject to externally imposed capital requirements.

18. FINANCIAL RISK MANAGEMENT

(a) Credit risk management

Certain of the Company's financial assets are exposed to a degree of credit risk. The Company endeavours to manage credit risk by holding its cash and cash equivalents as cash deposits and short-term government treasury funds with major commercial banks.

Credit risk relating to accounts receivable and restricted cash arises from the possibility that any counterparty to an instrument fails to perform. The Company's accounts receivable relate to recoveries of HST. Restricted cash includes reclamation bonds and a debt service account. Reclamation bonds reflect non-interest bearing cash deposits held with governmental agencies representing the state of Nevada, and interest bearing certificates of deposit held by Wells Fargo and Bank of Nova Scotia. An interest bearing debt service account is held with the Bank of Nova Scotia. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and cash equivalents, restricted cash, receivables and due from related parties. The maximum exposure is limited to amounts of cash and cash equivalents, restricted cash and receivables on the statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities associated with exploration and development, including construction. To the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity or debt funding. The Company's liquidity may be adversely affected if its access to the capital and debt markets are hindered, whether as a result of a downturn in market conditions generally, or as a result of conditions specific to the company.

As of August 31, 2019, the Company had a cash balance of \$45,590,097 (2018 - \$12,322,795) to settle current accounts payable, accrued liabilities and current portion of long-term debt of \$67,374,250 (2018 - \$88,152,271).

(c) Price risk

The Company's financial assets and liabilities are exposed to price risk with respect to commodity prices and prices of the Company's equity investments. The price risk on equity investments is limited due to the nature and low balance of the Company's holdings. Commodity price risk refers to the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company entered into gold zero-

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

cost collars (*Note 8*) under the Company's hedging policy that was adopted by the Board and continues to monitor prices of precious minerals to determine the appropriate course of action to be taken.

(d) Foreign currency risk

The Company incurs minimal exploration expenditures in the United States and holds a portion of its restricted cash and cash and cash equivalents in US dollars. The Company also has debt facilities in US dollars being utilized. The Company funds certain construction expenditures in US dollars. This gives rise to a risk that its US dollar expenditures and US dollar cash holdings and debt may be adversely impacted by fluctuations in foreign exchange. The Company does not currently undertake currency hedging activities.

(e) Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's investments and liabilities. The Company's cash balances are not subject to significant interest rate risk as balances are current. The Credit Facilities are subject to a variable LIBOR rate. Significant changes in the LIBOR rate could have a significant impact on the Company's loans payable balance in the condensed consolidated interim statement of financial position and interest capitalized in property, plant and equipment on the condensed consolidated interim statement of financial position.

(f) Fair value of financial assets and liabilities

The book values of the cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, approximate their respective fair values.

The fair values together with the carrying amounts shown in the statements of financial position are as follows:

	<i>Classification</i>	August 31, 2019		February 28, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	<i>Level 1</i>	\$ 45,590,097	\$ 45,590,097	\$ 12,322,795	\$ 12,322,795
Restricted cash	<i>Level 1</i>	11,433,576	11,433,576	14,941,444	14,941,444
Marketable securities	<i>Level 1</i>	331,838	331,838	302,919	302,919
Other receivables	<i>Amortized Cost</i>	1,938,338	1,938,338	3,155,100	3,155,100
Due from related parties	<i>Amortized Cost</i>	1,380,359	1,380,359	1,366,950	1,366,950
Accounts payable and accrued liabilities	<i>Amortized Cost</i>	(24,733,474)	(24,733,474)	(76,599,319)	(76,599,319)
Right-of-use-liability	<i>Amortized Cost</i>	(1,631,734)	(1,631,734)	-	-
Debt	<i>Amortized Cost</i>	(290,997,519)	(290,997,519)	(128,099,029)	(128,099,029)
Fair value of derivative instruments	<i>Level 2</i>	35,635,464	35,635,464	14,634,483	14,634,483

(g) Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

Restricted cash/Securities in listed entities (financial assets at fair value through profit and loss)

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

Victoria Gold Corp.

Notes to the Condensed Consolidated Interim Financial Statements For the six months ended August 31, 2019 and 2018

(Unaudited)

(Expressed in Canadian Dollars)

Trade and other receivables/payables

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

Derivative instruments

The fair value of these derivatives is determined using a valuation model that incorporates such factors as metal prices, metal price volatility and expiry date.

19. CONSULTING EXPENSE

During the year ended February 28, 2019, the Company incurred a break fee for a previously announced and uncompleted commercial debt package transaction as well as consulting costs for general corporate consulting services and a fee for an unused and now canceled bridge loan facility.

20. INCOME TAXES

As at August 31, 2019, \$5.1 million (2018 - \$nil) was recognized as a deferred tax recovery. This was result of eligible expenditures incurred on qualifying CDE expenditures and the unwinding of temporary differences previously booked for unremitted earnings at August 31, 2019.