VICTORIA GOLD CORP
TSX | VGCX

Condensed Consolidated Interim Financial Statements

September 30, 2020 and August 31, 2019

(Unaudited)
(Expressed in Canadian Dollars)

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 condensed consolidated interim 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 condensed consolidated interim financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the condensed consolidated interim 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
November 13, 2020

(signed) "Marty Rendall"
CFO
November 13, 2020

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 39,972,714**	$ 16,882,129
Marketable securities and warrants		**4,462,335**	870,902
GST and other receivables	*5*	**2,467,537**	5,271,203
Inventory	*6*	**83,078,811**	-
Due from related parties	*17*	**1,232,585**	1,389,435
Prepaid expenses		**2,707,159**	1,109,379
		133,921,141	25,523,048
Non-current assets			
Restricted cash	*7*	**9,519,852**	11,271,541
Exploration and evaluation assets	*7*	**36,926,239**	32,909,882
Property, plant and equipment	*8*	**576,001,626**	616,911,260
Total assets		**$ 756,368,858**	$ 686,615,731
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	*9*	**$ 60,793,548**	$ 26,609,092
Current portion of lease liability	*10*	**740,884**	592,396
Current portion of derivative instruments	*12*	**26,637,971**	2,753,750
Current portion of long-term debt	*11*	**52,262,839**	50,277,982
		140,435,242	80,233,220
Non-current liabilities			
Deferred taxes		**4,890,000**	3,000,000
Lease liability	*10*	**1,575,465**	815,576
Derivative instruments	*12*	**43,505,890**	23,238,542
Long-term debt	*11*	**229,944,777**	239,347,404
Asset retirement obligations ("ARO")	*13*	**28,141,297**	25,351,318
Total liabilities		**448,492,671**	371,986,060
Shareholders' Equity			
Share capital	*15*	**394,733,187**	359,000,352
Contributed surplus		**22,120,743**	24,529,288
Accumulated other comprehensive loss		**(2,635,999)**	(2,517,453)
Accumulated deficit		**(106,341,744)**	(66,382,516)
Total shareholders' equity		**307,876,187**	314,629,671
Total liabilities and shareholders' equity		**$ 756,368,858**	$ 686,615,731

Nature of operations and going concern *(Note 1)*
Commitments and Contingencies *(Note 21)*

See accompanying notes to the condensed consolidated interim financial statements.

Authorized for issue by the Board of Directors on November 13th, 2020 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	Three month period ended September 30, 2020	Three month period ended August 31, 2019	Nine month period ended September 30, 2020	Nine month period ended August 31, 2019
Revenue		**$ 80,526,228**	$ -	**$ 80,526,228**	$ -
Cost of goods sold	*18*	**34,374,993**	-	**34,374,993**	-
Depreciation and depletion		**12,995,798**	-	**12,995,798**	-
Gross profit		**33,155,437**	-	**33,155,437**	-
Corporate general and administration	*19*	**1,521,503**	1,801,593	**6,003,452**	5,547,576
Operating earnings (loss)		**31,633,934**	(1,801,593)	**27,151,985**	(5,547,576)
Finance income		**44,627**	251,618	**189,169**	696,085
Finance costs	*20*	**(5,642,544)**	(126,761)	**(5,955,037)**	(245,421)
Unrealized gain on marketable securities		**811,458**	62,528	**3,126,913**	31,319
Unrealized and realized loss on derivative instruments	*12*	**(9,894,483)**	(23,306,786)	**(57,801,569)**	(27,868,521)
Foreign exchange gain (loss)		**5,991,779**	2,713,470	**(7,564,026)**	806,167
Other	*25*	**-**	-	**6,721,000**	-
		(8,689,163)	(20,405,931)	**(61,283,550)**	(26,580,371)
Income (loss) before taxes		**22,944,771**	(22,207,524)	**(34,131,565)**	(32,127,947)
Current income taxes		**(2,672,327)**	-	**(4,306,815)**	-
Deferred tax (expense) recovery		**-**	743,882	**(1,520,848)**	2,045,705
Net income (loss)		**$ 20,272,444**	$ (21,463,642)	**$ (39,959,228)**	$ (30,082,242)
Other Comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss					
Currency translation adjustment		**(36,836)**	81,978	**(118,546)**	31,868
Total comprehensive income (loss) for the period		**$ 20,235,608**	$ (21,381,664)	**$ (40,077,774)**	$ (30,050,374)
Earnings (loss) per share	*14*				
Basic		**$ 0.328**	$ (0.375)	**$ (0.666)**	$ (0.547)
Diluted		**$ 0.312**	$ (0.375)	**$ (0.666)**	$ (0.547)
Weighted average number of shares outstanding	*14*				
Basic		**61,831,871**	57,226,296	**59,987,700**	55,017,972
Diluted		**65,075,978**	57,226,296	**59,987,700**	55,017,972

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: Number of shares	Share capital: Amount	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balance at November 30, 2018		51,863,078	$ 326,160,562	$ 22,170,386	$ (2,620,583)	$ (46,434,749)	$ 299,275,616
Transactions with owners:							
Proceeds from share issue		5,051,774	36,090,906	-	-	-	36,090,906
Proceeds from stock options exercised		311,444	560,600	-	-	-	560,600
Fair values allocated upon exercise:							
Stock options		-	276,562	(276,562)	-	-	-
Share issuance costs		-	(1,613,348)	-	-	-	(1,613,348)
Share-based payments, expensed		-	-	848,608	-	-	848,608
Share-based payments, capitalized		-	-	471,899	-	-	471,899
Premium on flow-through shares		-	(3,140,135)	-	-	-	(3,140,135)
Total transactions with owners:		5,363,218	32,174,585	1,043,945	-	-	33,218,530
Net loss for the period		-	-	-	-	(30,082,242)	(30,082,242)
Other comprehensive income/(loss):							
Currency translation adjustment		-	-	-	31,868	-	31,868
Balance at August 31, 2019	*15*	57,226,296	$ 358,335,147	$ 23,214,331	$ (2,588,715)	$ (76,516,991)	$ 302,443,772
Balance at December 31, 2019		57,278,629	$ 359,000,352	$ 24,529,288	$ (2,517,453)	$ (66,382,516)	$ 314,629,671
Transactions with owners:							
Proceeds from share issue		**3,809,072**	**30,005,369**	**-**	**-**	**-**	**30,005,369**
Proceeds from stock options exercised		**752,895**	**5,247,921**	**-**	**-**	**-**	**5,247,921**
Fair values allocated upon exercise:							
Stock options		**-**	**2,454,001**	**(2,454,001)**	**-**	**-**	**-**
Share issuance costs		**-**	**(1,605,304)**	**-**	**-**	**-**	**(1,605,304)**
Share-based payments, expensed		**-**	**-**	**30,445**	**-**	**-**	**30,445**
Share-based payments, capitalized		**-**	**-**	**15,011**	**-**	**-**	**15,011**
Premium on flow-through shares		**-**	**(369,152)**	**-**	**-**	**-**	**(369,152)**
Total transactions with owners:		**4,561,967**	**35,732,835**	**(2,408,545)**	**-**	**-**	**33,324,290**
Net loss for the period		**-**	**-**	**-**	**-**	**(39,959,228)**	**(39,959,228)**
Other comprehensive income/(loss):							
Currency translation adjustment		**-**	**-**	**-**	**(118,546)**	**-**	**(118,546)**
Balance at September 30, 2020	*15*	**61,840,596**	**$ 394,733,187**	**$ 22,120,743**	**$ (2,635,999)**	**$(106,341,744)**	**$ 307,876,187**

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)

	Notes	Nine month period ended September 30, 2020	August 31, 2019
Operating activities			
Net loss for the period		**$ (39,959,228)**	$ (30,082,242)
Adjustments for:			
Depreciation and depletion		**12,995,798**	-
Share-based payments	*16*	**30,445**	848,608
Income taxes		**2,456,582**	(2,045,705)
Other	*25*	**(6,721,000)**	-
Accretion on reclamation provision	*13*	**261,089**	110,975
Unrealized gain on marketable securities		**(3,126,913)**	(31,319)
Unrealized loss on derivative instruments	*12*	**52,944,569**	27,868,521
Amortization		**87,858**	60,675
Unrealized foreign exchange (gain) loss, net		**7,428,683**	6,005,874
		26,397,883	2,735,387
Working capital adjustments:			
(Increase) decrease in GST and other receivables		**2,803,666**	4,528,991
(Increase) decrease in inventory		**(611,864)**	-
(Increase) decrease in marketable securities		**(464,520)**	(30,150)
(Increase) decrease in prepaid expenses and deposits		**(1,610,181)**	531,870
Increase (decrease) in accounts payables and accrued liabilities		**45,471,305**	742,218
		45,588,406	5,772,929
Net cash flows from operating activities		**71,986,289**	8,508,316
Investing activities			
Sale of mineral property interest		**-**	34,300,000
Exploration and evaluation assets	*7*	**(5,532,497)**	(3,233,117)
Related party loan	*17*	**169,250**	(355,021)
Restricted cash		**1,766,760**	(1,347,403)
Purchase of property, plant and equipment		**(52,421,990)**	(264,605,196)
Cash received from prior period sale	*25*	**6,721,000**	-
Net cash flows used in investing activities		**(49,297,477)**	(235,240,737)
Financing activities			
Shares issued for cash, net of issuance cost	*15*	**28,400,065**	34,477,558
Exercise of options		**5,247,921**	560,600
Interest paid		**(7,038,592)**	(1,972,091)
Credit Facility, net of deferred finance fees	*11*	**9,619,674**	203,248,543
Principal repayment of long-term debt	*11*	**(35,649,814)**	(4,456,599)
Principal repayment of lease liability		**(548,954)**	(240,157)
Net cash flows from financing activities		**30,300**	231,617,854
Foreign exchange gain (loss) on cash balances		**371,473**	(326,172)
Net increase in cash and cash equivalents		**23,090,585**	4,559,261
Cash and cash equivalents, beginning of the period		**16,882,129**	41,030,836
Cash and cash equivalents, end of the period		**$ 39,972,714**	$ 45,590,097

See accompanying notes to the condensed consolidated interim financial statements. Supplementary Cash Flow information is provided in Note 23.

(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 were listed on the TSX Venture Exchange (TSXV) throughout 2019. On February 18, 2020, the Company announced that it had received final approval from the Toronto Stock Exchange (TSX) for the graduation of its listing from the TSXV to the TSX. The common shares of the Company began trading on the TSX, under the new symbol "VGCX" on February 19, 2020.

The Company is engaged in the operation, exploration and acquisition of mineral properties. The Company completed construction of the Eagle Gold Mine in mid 2019 and poured its first gold in September 2019. On July 1, 2020 the Company achieved commercial production at the Eagle Gold Mine. The Company's registered office is located at 80 Richmond St. West, Suite 204, Toronto, Ontario, M5H 2A4, Canada.

Change in year-end
During the ten month period ended December 31, 2019, the Company changed its fiscal year end to December 31, from February 28. The Company's transition period is the ten months ended December 31, 2019. The comparative period for these condensed consolidated interim financial statements is the three and nine months ended August 31, 2019. The new financial year will align the Company with its peer group in the mineral resources sector and facilitate marketplace assessment of the Company's business performance.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") 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 extract these reserves.

The Company periodically seeks financing for mine operations, exploration and/or development of its properties and/or to meet its future administrative requirements. The Company had a working capital deficit of $6.5 million at September 30, 2020 and will need to raise additional financing or generate sufficient positive cash flows from operations 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 may cast 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 September 30, 2020, the Company had a working capital deficit of $6.5 million (compared with a deficit of $54.7 million at December 31, 2019), an accumulated deficit of $106.3 million ($66.4 million at December 31, 2019) and reported a net loss of $40.0 million for the nine months ended September 30, 2020 (net loss of $30.1 million at August 31, 2019). The Company's debt facilities are fully drawn with $52.3 million coming due for repayment within twelve months of September 30, 2020.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and 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 ten month period ended December 31, 2019, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements include the accounts of Victoria and its wholly-owned subsidiary, Victoria Gold (Yukon) Corp. (formerly StrataGold Corporation), a British Columbia corporation. Victoria Gold (Yukon) Corp. was acquired by the Company on June 4, 2009.

During the quarter ended September 30, 2020, the Company dissolved its subsidiary Victoria Resources (U.S.) Inc., (a Nevada corporation).

During the quarter ended September 30, 2020, the Company sold its Gateway Gold Corp., (a British Columbia corporation) and Gateway Gold (USA) Corp., (a Nevada corporation) subsidiaries (together referred to as "Gateway") as per the transaction details within *Note 7.*

These financial statements were approved by the Board of Directors for issue on November 13, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's audited consolidated financial statements for the ten month period ended December 31, 2019, except for those noted below:

i) Basis of consolidation

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is acquired by the Company and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All inter-company balances, revenues and expenses and earnings and losses resulting from inter-company transactions are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity. Non-controlling interests consist of the non-controlling interests on the date of the original business combination plus the non-controlling interests' share of changes in equity since the date of acquisition.

ii) Inventory

Inventory classifications include "stockpiled ore," "in-process inventory," "finished goods inventory" and "materials and supplies." The stated value of all production inventories include direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. General and administrative costs for corporate offices are not included in any inventories.

Stockpiled ore represents unprocessed ore that has been extracted from the mine and is stored for future processing. Stockpiled ore and recoverable gold ounces therein is measured by estimating the number of ore tonnes (via truck counts or by physical surveys) added to, or removed from the stockpile, the number of contained gold ounces (based on assay data) and estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation and depletion) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per tonne of ore in the stockpile.

In-process inventory represents material that is currently being treated in the processing plant to extract the contained gold and to transform it into a saleable product. The amount of gold in the in-process inventory is determined by assay and by measure of the quantities of the various gold-bearing materials in the recovery process. The in-process inventory is valued at the average of the beginning inventory and the cost of material fed into the processing stream plus in-process conversion costs including applicable mine-site overheads, depreciation and depletion related to the processing facilities.

Finished goods inventory is saleable gold in the form of doré bars that have been poured and have been or are ready to be, shipped to the refiner. Included in the costs are the direct costs of the mining and processing operations as well as direct mine-site overheads, depreciation and depletion.

Materials and supplies inventories consist primarily of equipment parts and other consumables required in the mining and ore processing activities.

All inventories are valued at the lower of average cost or net realizable market value.

iii) Commercial production

The development phase ends and the production phase begins when the mine is in the condition necessary for it to be capable of operating in the matter intended by management. Various relevant criteria are considered to assess when the mine is substantially complete and ready for its intended use and moved into the production phase. Management examines the following factors when making that judgement:

- All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
- The completion of a reasonable period of testing of the mine properties;
- The mine has reached a pre-determined production threshold; and
- The ability to sustain ongoing production of ore.

Upon achieving commercial production, costs are transferred from assets under construction into the appropriate asset classification such as inventory, mineral properties, property, plant and equipment.

Once in commercial production, sales from refined metal will be recognized as revenue, and production costs as a component of cost of goods sold. Development expenditures incurred during the production phase to provide access to ore reserves in future periods; expand existing capacity; or generally provide future economic benefits will continue to be capitalized under the Company's accounting policies on development costs, and mineral properties, plant and equipment.

Effective July 1, 2020, upon achieving commercial production at the Eagle Gold Mine, the Company ceased capitalization of income received in relation to pre commercial production precious metal sales and operating costs and commenced depreciation and depletion.

iv) Revenue recognition

Revenue is generated from the sale of refined gold and silver. The Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), upon achieving commercial production at the Eagle Gold Mine on July 1, 2020.

The Company produces doré bars which contain both gold and silver. These products are further processed to produce refined metals for sale. Revenue from refined sales are recognized net of treatment and refining charges. The Company's performance obligations relate primarily to the delivery of mine production in refined form to its customers.

Revenue is recognized when control is transferred to the customer. Control is achieved when a product is delivered to the customer, the customer has full discretion over the product and there is no unfulfilled obligation that could affect the customer's acceptance of the product. Control over the refined gold or silver is transferred to the customer and revenue is recognized upon delivery to the customer.

Sales of refined gold are recorded on the date of delivery to the customer's bullion account with payment typically received on the same day. Sales of silver are recorded on the date of sale.

Prior to achieving commercial production, income from precious metal sales were included in mineral properties.

v) Mineral properties

Development costs recorded at the Eagle Gold Mine are capitalized to mineral property within property, plant and equipment ("PPE"). Mineral property assets, including property acquisition, mine-site development, commissioning that will only be processed at the end of the mine life and certain waste stripping that provide a future benefit, are recorded at cost.

Mineral properties are depleted over the life of the proven and probable reserves to which they relate, using a units-of-production method. At the open pit mine, the costs of removing overburden in order to expose ore during its initial development period are capitalized.

Mineral properties include stripping costs. Stripping costs are the costs incurred to remove mine waste materials to gain access to mineral ore deposits during production. Stripping costs incurred during the development of a mine are capitalized to mineral properties. Stripping costs incurred subsequent to commencement of commercial production are variable production costs that are included in the cost of inventory produced during the period in which they are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping cost are deferred and included in mineral properties. Future benefits arise when stripping activity increases the future output of the mine by providing access to an extension of an ore body or to a new ore body. Deferred stripping costs are depreciated based on the units-of-production method using the related proven and probable mineral reserves as the depreciation base.

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 judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the ten month period ended December 31, 2019, except for those noted below:

The Company continues to manage and respond to the COVID-19 pandemic within the framework of its Pandemic Response Plan, along with recommendations of health authorities and local and national requirements. The Company has implemented preventative measures to ensure the safety of its workforce, local communities and other key stakeholders. Business continuity measures have been implemented at our Eagle Gold Mine in an effort to mitigate and minimize potential future impacts of this pandemic, particularly with travel and contractors from outside the immediate mine regions.

To date, production disruptions have been minimal and there has been no significant disruptions to operations including the delivery or receipt of goods as a result of COVID-19.

(Expressed in Canadian Dollars)

Inventory valuation

All inventory is valued at the lower of average costs or net realizable value. Management is required to make various estimates and assumptions to determine the value of stockpiled ore, in-process inventory and finished goods inventory. The estimates and assumptions included surveyed quantities of stockpiled ore, in-process volumes, contained metal content, recoverable metal content, costs to recover saleable metal and metal prices. Changes in these estimates can result in changes to the carrying amounts of inventories and mine operating costs in future periods.

Commencement of commercial production

The determination of when a mine has reached commercial production is a matter of significant judgement which will impact when the Company recognizes revenue, operating costs and depreciation and depletion in the condensed consolidated interim statements of income (loss) and comprehensive income (loss). In making this judgement, management examines the following factors:

- All major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed;
- The completion of a reasonable period of testing of the mine properties;
- The mine has reached a pre-determined production threshold; and
- The ability to sustain ongoing production of ore.

Mineral reserves and resources

Determining mineral reserves and resources is a complex process involving numerous variables and is based on a professional evaluation using accepted international standards for the assessment of mineral reserves. Estimation is a subjective process, and the accuracy of such estimates is a function of the quantity and quality of available data, the assumptions made and judgement used in engineering and geological interpretation. Mineral reserve estimation may vary as a result of changes in the price of gold and silver, production costs, and with additional knowledge of the ore deposits and mining conditions.

Differences between management’s assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company’s results and financial position, particularly a change in the rate of depreciation and depletion of the related mining asset.

Units-of-production depreciation

Mineral properties is depreciated/depleted using the units-of-production method over the expected operating life of the mine based on proven and probable reserves, which are the prime determinants of the life of a mine. Changes in the estimated mineral reserves and resources will result in changes to the depreciation charges over the remaining life of the operation. A decrease in the mineral reserves would increase depreciation and depletion expense and this could have a material impact on the operating results. The depletion base is updated on an annual basis based on the new mineral reserve and resource estimate.

5. GST AND OTHER RECEIVABLES

GST and other receivables includes the following components:

	September 30, 2020	December 31, 2019
GST receivable	**$ 2,118,291**	$ 1,539,807
Trade and other receivables	**349,246**	3,731,396
Total	**$ 2,467,537**	$ 5,271,203

(Unaudited)
(Expressed in Canadian Dollars)

6. INVENTORY

Inventory includes the following components:

	September 30, 2020	December 31, 2019
Stockpiled ore	**$ 1,062,403**	$ -
In-process inventory	**64,368,993**	-
Finished goods inventory	**9,318,636**	-
Total mineral inventory	**74,750,032**	-
Materials and supplies	**8,328,779**	-
Total	**$ 83,078,811**	$ -

As at September 30, 2020, $15.4 million (December 31, 2019 – $nil) of non-cash costs such as depreciation, depletion and site share-based compensation were included in inventory.

7. EXPLORATION AND EVALUATION ASSETS

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance December 31, 2019	$ 6,585,828	$ 24,642,125	$ 1,681,929	$ 32,909,882
Sale of property interest	-	-	-	-
Salaries and benefits	75,026	725,623	-	800,649
Amortization	-	-	-	-
Consulting and administration	107,115	-	-	107,115
Land claims and royalties	68,681	15,000	57,500	141,181
Environmental and permitting	15,264	-	-	15,264
Government and community relations	-	22,800	-	22,800
Drilling and indirects	-	1,166,441	-	1,166,441
Other exploration	-	1,585,929	-	1,585,929
Exploration and evaluation costs for the period	266,086	3,515,793	57,500	3,839,379
Currency translation	176,978	-	-	176,978
Balance September 30, 2020	$ 7,028,892	$ 28,157,918	$ 1,739,429	$ 36,926,239

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

During the quarter ended September 30, 2020, the Company entered into a transaction with a third-party company, Lahontan Gold Corp. ("Lahonton") under which it agreed to sell its existing subsidiary company, Gateway Gold Corp. which also included Gateway Gold (USA) Corp. which in turn held 100% of the Company's interest in the Santa Fe property. As a result of this transaction, Victoria Gold received consideration of shares in Lahontan which provide it with a controlling ownership position of 80% of Lahontan. The main asset of Lahontan is the Santa Fe property, which the Company continues to control and is presented above. Consideration for this transaction approximated its book value and as a result, no gain or loss was recognized. Once Lahonton incurs operating expenses, the Company will account for these through other comprehensive income (loss). As at September 30, 2020, information was not readily available on the remaining property values to determine the Company's 20% non-controlling interest.

(Expressed in Canadian Dollars)

As of September 30, 2020, restricted cash consists of $nil relating to Santa Fe (December 31, 2019 - $0.4 million), $2.8 million for Dublin Gulch (December 31, 2019 - $4.4 million) and $6.7 million for the CAT financial lease facility (December 31, 2019 - $6.5 million) 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 $27.4 million surety bond related to the reclamation performance bond.

	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	(465,716)	-	(52,500)	(518,216)
Salaries and benefits	45,270	669,818	-	715,088
Amortization	-	-	-	-
Consulting and administration	10,590	457,347	-	467,937
Land claims and royalties	67,537	1,890	25,000	94,427
Environmental and permitting	25,650	85,404	-	111,054
Government and community relations	-	47,141	-	47,141
Drilling and indirects	-	396,743	-	396,743
Other exploration	-	1,217,126	-	1,217,126
Exploration and evaluation costs for the period	149,047	2,875,469	25,000	3,049,516
Currency translation	(85,395)	-	-	(85,395)
Balance December 31, 2019	$ 6,585,828	$ 24,642,125	$ 1,681,929	$ 32,909,882

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

(Unaudited)
(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Other assets	Right-of-use assets	Leasehold improvements	Buildings & structures	Equipment	Mineral Properties	Total
Cost							
March 1, 2019	$1,067,987	$ -	$ 146,532	$ 16,380,856	$ 8,129,158	$ 438,359,280	$464,083,813
IFRS 16 transition March 1, 2019	-	1,896,769	-	-	-	-	1,896,769
Sale of property interest	-	-	-	-	-	(19,600,000)	(19,600,000)
Net Capitalized Gold Sales	-	-	-	-	-	(30,075,964)	(30,075,964)
Reallocation of construction costs	-	-	-	219,493,112	73,811,404	(293,304,516)	-
Additions	147,696	-	442,617	391,411	46,406,402	171,086,417	218,474,543
December 31, 2019	1,215,683	1,896,769	589,149	236,265,379	128,346,964	266,465,217	634,779,161
Reallocation of inventory costs (*Note 6)*	**-**	**-**	**-**	**-**	**-**	**(82,466,947)**	**(82,466,947)**
Net Capitalized Gold Sales	**-**	**-**	**-**	**-**	**-**	**(70,225,189)**	**(70,225,189)**
Additions	**160,816**	**1,457,331**	**-**	**6,595,718**	**5,991,328**	**129,578,480**	**143,783,673**
Disposals	**(52,384)**	**-**	**-**	**-**	**-**	**-**	**(52,384)**
September 30, 2020	**$1,324,115**	**$ 3,354,100**	**$ 589,149**	**$ 242,861,097**	**$ 134,338,292**	**$ 243,351,561**	**$625,818,314**
Accumulated amortization							
March 1, 2019	$ 830,916	$ -	$ 35,854	$ 5,544,111	$ 1,224,357	$ -	$ 7,635,238
Charge	84,701	518,489	93,340	4,156,508	5,379,625	-	10,232,663
December 31, 2019	915,617	518,489	129,194	9,700,619	6,603,982	-	17,867,901
Charge	**85,523**	**671,162**	**117,201**	**15,193,289**	**12,492,542**	**3,441,454**	**32,001,171**
Disposals	**(52,384)**	**-**	**-**	**-**	**-**	**-**	**(52,384)**
September 30, 2020	**$ 948,756**	**$ 1,189,651**	**$ 246,395**	**$ 24,893,908**	**$ 19,096,524**	**$ 3,441,454**	**$ 49,816,688**
Net book value							
March 1, 2019	$ 237,071	$ -	$ 110,678	$ 10,836,745	$ 6,904,801	$ 438,359,280	$456,448,575
December 31, 2019	$ 300,066	$ 1,378,280	$ 459,955	$ 226,564,760	$ 121,742,982	$ 266,465,217	$616,911,260
September 30, 2020	**$ 375,359**	**$ 2,164,449**	**$ 342,754**	**$ 217,967,189**	**$ 115,241,768**	**$ 239,910,107**	**$576,001,626**

The Company achieved commercial production at the Eagle Gold Mine on July 1, 2020. With this achievement, $82.5 was recognized as opening inventory and depletion commenced on mineral properties. Effective July 1, 2020, revenue, cost of goods sold, and debt service costs (*Note 11 and 20*) are recognized in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

During the period ended September 30, 2020, the Company capitalized depletion of $18.7 million ($10.4 million – December 31, 2019). Capitalization of depletion stopped upon the Company achieving commercial production.

The carrying value of equipment pledged as security for the related Equipment Financing Facility at September 30, 2020 was $47.6 million ($55.7 million – December 31, 2019) (*Note 11*).

(Expressed in Canadian Dollars)

Certain of the Company's mining properties are subject to royalty arrangements based on their net smelter returns ("NSR"s). At September 30, 2020, the Company's royalty arrangements based on production were as follows:

Royalty arrangements:	
Franco-Nevada Corp.	1% Cash NSR – Settled via cash payment royalty expense after production.
Osisko Gold Royalties Ltd.	5% Metal NSR – Settled via delivery of metal ounces after production.

The royalty arrangements listed above have an impact on the Company's financial statement presentation of Revenue and Royalty expense. Revenue herein is based on 95% of the production from the Eagle Mine after the delivery of the 5% metal NSR attributable to Osisko Gold Royalties Ltd. As a result, this 5% NSR is not recorded in Revenue or as a Royalty expense. However, the 1% cash NSR held by Franco-Nevada Corp. does result in Revenue as it does not impact ounces available for sale, and a Royalty expense associated with the cash payment.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the following components:

	September 30, 2020	December 31, 2019
Trade payables	**$ 26,834,648**	$ 9,686,931
Accrued liabilities	**27,890,807**	14,585,250
Payroll related liabilities	**6,068,093**	2,336,911
Total	**$ 60,793,548**	$ 26,609,092

10. LEASE LIABILITY

	Total
As at December 31, 2019	$ 1,407,972
Additions	1,457,331
Interest expense	160,186
Lease payments	(709,140)
Lease liabilities at September 30, 2020	$ 2,316,349
Current lease liability	740,884
Non-current lease liability	1,575,465

The Company has lease liabilities for contracts related to equipment, vehicles, and office premises in: (1) Vancouver, BC, (2) Toronto, Ontario and (3) Whitehorse, Yukon. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

(Unaudited)
(Expressed in Canadian Dollars)

	September 30, 2020	December 31, 2019
MATURITY ANALYSIS		
< 1 year	**$ 740,884**	$ 592,396
1 to 3 years	**476,600**	566,214
3 to 5 years	**464,002**	204,542
> 5 years	**634,863**	44,820
Total	**$ 2,316,349**	$ 1,407,972

11. 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").

The existing debt facilities include certain covenants that impact each fiscal quarter, which commenced on August 30, 2020. As at September 30, 2020, the Company is in compliance with all covenants.

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 (minimum LIBOR set at 1.5%) plus 5.00%;
- Interest accrued until May 31, 2020;
- Principal and accrued interest are repayable in 15 quarterly installments which began on May 31, 2020.

As at September 30, 2020, the Company had drawn the full US$100 million 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 (minimum LIBOR set at 1.5%) plus 6.70%;
- Interest accrued until May 31, 2020;
- Accrued interest is repayable quarterly and began on August 31, 2020;
- Principal is due at maturity, on May 31, 2024.

As at September 30, 2020, the Company had drawn the full US$75 million 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.

(Expressed in Canadian Dollars)

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 (minimum LIBOR set at 1.0%) 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 September 30, 2020, the Company had drawn US$49.9 million of the Equipment Finance Facility. 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.

	September 30, 2020	December 31, 2019
Senior Secured Debt Facility, principal	**$ 113,878,475**	$ 132,625,637
Senior Secured Debt Facility, interest	**687,236**	850,691
Senior Secured Debt Facility, ending balance	**$ 114,565,711**	$ 133,476,328
Subordinated Loan Facility, principal	**$ 113,545,044**	$ 105,538,626
Subordinated Loan Facility, interest	**813,220**	848,412
Subordinated Loan Facility, ending balance	**$ 114,358,264**	$ 106,387,038
Equipment Finance Facility, principal	**$ 52,574,390**	$ 48,951,103
Equipment Finance Facility, interest	**709,251**	810,917
Equipment Finance Facility, ending balance	**$ 53,283,641**	$ 49,762,020
Total Debt	**$ 282,207,616**	$ 289,625,386
Less: Current portion	**(52,262,839)**	(50,277,982)
Long-term Debt	**$ 229,944,777**	$ 239,347,404

During the period ended September 30, 2020 the Company incurred interest expense of $5.2 million (August 31, 2019 - $nil) and amortized deferred financing charges of $0.3 million (August 31, 2019 - $nil) in the condensed consolidated interim statements of income (loss) and comprehensive income (loss). Prior to the commencement of commercial production on July 1, 2020, interest expense of $11.1 million (August 31, 2019 - $11.5 million) and amortization of deferred financing charges of $0.7 million (August 31, 2019 - $0.9 million) on the Company's debt facilities were capitalized to mineral properties (*Note 8*).

The Equipment Finance Facility with CAT is secured by leased equipment with a carrying value of $47.6 million as of September 30, 2020 ($55.7 million – December 31, 2019).

(Unaudited)
(Expressed in Canadian Dollars)

The Company's scheduled debt principal repayments as at September 30, 2020 are summarized in the table, below:

	2020	2021	2022	2023	2024 and thereafter	Total
Senior Secured Debt Facility	1,159,535	38,060,252	38,060,252	38,060,252	-	$ 115,340,291
Subordinated Loan Facility	-	-	-	-	115,168,901	115,168,901
Equipment Finance Facility	3,042,622	12,170,489	14,617,616	14,782,924	13,542,160	58,155,811
	$ 4,202,157	$ 50,230,741	$ 52,677,868	$ 52,843,176	$ 128,711,061	$ 288,665,003

On August 4, 2020, the Company made a US$10 million early, unscheduled repayment of interest and principal on its Senior Secured Debt Facility. Under the terms of the Senior Secured Debt Facility, there are no fees or penalties for early payments.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Instruments outstanding	Quantity outstanding	Remaining term	Exercise price (C$/oz)	Fair value - asset (liability)(1)
Zero-cost collars				
Gold call options - sold	45,000 oz	December 2020 - June 2021	$ 1,936	$ (26,640,805)
Gold put options - purchased	45,000 oz	December 2020 - June 2021	$ 1,500	2,834
				$ (26,637,971)
Gold call options - sold	30,000 oz	September 2021 - December 2021	$ 1,936	(18,376,395)
Gold put options - purchased	30,000 oz	September 2021 - December 2021	$ 1,500	43,159
				$ (44,971,207)
Gold call options				
Gold call options - sold	20,000 oz	April 13, 2023	US$1,485	(12,685,485)
Warrants				
Warrants	1,666,667	April 13, 2023	$ 9.375	(12,487,169)
				$ (70,143,861)

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 off set 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 at the time of entering into the contracts was $nil. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the condensed consolidated interim 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 loss of $43.2 million, based on US$1,891 per ounce of gold and a foreign exchange rate of 1.3339 US$ to C$, in net income (loss) of the condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the nine month period ended September 30, 2020.

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 condensed consolidated interim 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. As at September 30, 2020 the gold call option fair value was $12.7 million, based on US$1,891 per ounce of gold and a foreign exchange rate of 1.3339 US$ to C$. The Company recognized the mark-to-market adjustment loss of $6.9 million in net income (loss) of the condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the nine month period ended September 30, 2020.

Warrants

On April 13, 2018, the Company granted 1,666,667 warrants with a strike price of $9.375 and a term of five years. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the condensed consolidated interim 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 September 30, 2020, the warrant fair value was $12.5 million based on the September 30, 2020 closing share price of $14.99. The Company recognized the mark-to-market adjustment loss of $7.7 million in net income (loss) of the condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the nine month period ended September 30, 2020.

13. 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 exploration and evaluation assets depending 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. Details of the Company's reclamation performance obligations can be found within *Note 7.*

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. 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 at September 30, 2020 was determined to be $32.3 million for Dublin Gulch (December 31, 2019 - $31.0 million) and $0.4 for Santa Fe (December 31, 2019 - $0.4 million);
b) weighted average risk-free interest rate at 1.3% 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.

(Expressed in Canadian Dollars)

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

	Nine months ended September 30, 2020	Ten months ended December 31, 2019
Balance, beginning of period	**$ 25,351,318**	$ 8,405,028
Accretion on reclamation provision	**261,089**	146,977
Currency translation	**9,625**	(6,618)
ARO change due to increased footprint	**2,519,265**	16,805,931
Balance, end of period	**$ 28,141,297**	$ 25,351,318
Less: Current portion	**-**	-
Long-term liability	**$ 28,141,297**	$ 1,104,821

14. EARNINGS (LOSS) 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 period.

	Three month period ended		Nine month period ended	
	September 30, 2020	August 31, 2019	September 30, 2020	August 31, 2019
Net income (loss)	**$ 20,272,444**	$ (21,463,642)	**$ (39,959,228)**	$ (30,082,242)
Weighted average number of common shares issued	**61,831,871**	57,226,296	**59,987,700**	55,017,972
Basic earnings (loss) per share	**$ 0.328**	$ (0.375)	**$ (0.666)**	$ (0.547)

(b) Diluted

	Three month period ended		Nine month period ended	
	September 30, 2020	August 31, 2019	September 30, 2020	August 31, 2019
Net income (loss) attributable to common shareholders	**$ 20,272,444**	$ (21,463,642)	**$ (39,959,228)**	$ (30,082,242)
Weighted average number of common shares issued	**61,831,871**	57,226,296	**59,987,700**	55,017,972
Adjustment for:				
Warrants	**1,666,667**	-	**-**	-
Stock options	**1,577,440**	-	**-**	-
Weighted average number of ordinary shares for diluted earnings per share	**65,075,978**	57,226,296	**59,987,700**	55,017,972
Diluted earnings (loss) per share	**$ 0.312**	$ (0.375)	**$ (0.666)**	$ (0.547)

15. 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 61,840,596 and 57,226,296 shares for the period ended September 30, 2020 and August 31, 2019, respectively.

(Expressed in Canadian Dollars)

On May 8, 2020, the Company closed a financing of 3,007,250 common shares of the Corporation at a price of $7.65 per share for gross proceeds of $23,005,463. Broker fees of 5% and other issuance costs were paid in connection with this offering.

On February 27, 2020, the Company closed a flow-through financing of 572,659 common shares of the Corporation that qualifies as “Canadian development expenses (“CDE”) flow-through shares” at a price of $8.73 per share for gross proceeds of $4,999,313. The Company also closed an over-allotment of 229,163 CDE flow-through common shares of the Corporation at a price of $8.73 per share for gross proceeds of $2,000,593. No finders’ fees were paid in connection with this transaction. The shares were subject to a four-month hold period.

On April 2, 2019, the Company closed a private placement financing of 2,272,727 common shares of the Corporation at a price of $6.60 per share for gross proceeds of $15,000,000. The Company also closed an over allotment brokered prospectus financing on April 5, 2019 of 668,046 common shares of the Corporation at a price of $6.60 per share for gross proceeds of $4,409,106. The Company also closed a brokered flow-through financing of 1,887,333 common shares of the Corporation that qualifies as “Canadian development expenses (CDE) flow through shares” at a price of $7.95 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.

On December 28, 2018, the Company closed a brokered flow-through share offering (the “Offering”) raising gross proceeds of $1,677,500, representing the issuance of 223,666 common shares priced at $7.50 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.

16. 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 September 30, 2020, 4,606,619 (3,311,196 as at December 31, 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 September 30, 2020 and as at December 31, 2019, and changes during the periods ended on those dates is presented below:

	September 30, 2020			December 31, 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	**2,364,334**	**$ 6.86**	**$6,087,224**	2,002,000	$ 6.67	$5,270,008
Granted	**-**	**$ -**	**-**	474,000	$ 8.05	1,327,626
Exercised	**(752,895)**	**$ 6.97**	**(2,460,479)**	(52,333)	$ 8.25	(233,458)
Expired	**(29,999)**	**$ 7.50**	**(149,947)**	(50,000)	$ 9.06	(263,316)
Forfeited	**(4,000)**	**$ 7.50**	**(5,844)**	(9,333)	$ 7.50	(13,636)
Outstanding, end of the period	**1,577,440**	**$ 6.76**	**$3,470,954**	2,364,334	$ 6.86	$6,087,224

(Expressed in Canadian Dollars)

As at September 30, 2020, 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	273,332	273,332	$	2.25	December 15, 2020
May 28, 2018	281,999	281,999	$	7.50	May 28, 2021
August 15, 2018	211,776	211,776	$	7.50	August 15, 2021
January 25, 2019	369,333	369,333	$	7.50	January 25, 2022
December 9, 2019	441,000	441,000	$	8.05	December 9, 2022
	1,577,440	1,577,440			

The fair value of each option is accounted for in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) or capitalized to exploration and evaluation assets over the vesting period of the options, and the related credit is included in contributed surplus.

On January 25, 2019, the Company granted 429,333 incentive stock options with an exercise price of $7.50 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 ($832,142 expensed and $413,998 capitalized to property, plant and equipment) has been fully recognized as at September 30, 2020. 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 $2.90 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 of 9.8%.

Warrants

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

	September 30, 2020				**December 31, 2019**			
	Number of Warrants		**Weighted average exercise price**	**Fair Value**	**Number of Warrants**		**Weighted average exercise price**	**Fair Value**
Outstanding, beginning of the period	**1,666,667**	**$**	**9.375**	**$ 4,359,345**	4,333,334	$	7.30	$10,979,345
Expired	**-**	**$**	**-**	**-**	(2,666,667)	$	6.00	(6,620,000)
Outstanding, end of the period	**1,666,667**	**$**	**9.375**	**$ 4,359,345**	1,666,667	$	9.375	4,359,345

	Number of Warrants		**Exercise price**	**Expiry date**
Issued in private placement	1,666,667	$	9.375	April 13, 2023
	1,666,667			

(Expressed in Canadian Dollars)

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 fair value through profit or loss (“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 12*).

17. RELATED PARTIES

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

Transactions as of September 30, 2020 and during the nine months ended September 30 with Orion are included in *Note 11.*

The remuneration of directors and key management of the Company for the nine month periods ended September 30, 2020 and August 31, 2019 was as follows:

	September 30, 2020	August 31, 2019
Salaries and other short term employment benefits	**$ 2,657,640**	$ 2,904,875
Share-based compensation	**$ 42,789**	$ 1,127,887

The Company granted unsecured loans in May 2018 which were subsequently amended, to directors and officers of the Company at interest rates of 2% per annum and payable in full on January 9, 2021.

	September 30, 2020	December 31, 2019
Outstanding, beginning of the period	**$ 1,389,435**	$ 1,366,948
Loan repayments received	**(169,250)**	-
Interest charged	**20,190**	22,487
Interest received	**(7,790)**	-
Outstanding, end of the period	**$ 1,232,585**	$ 1,389,435

(Unaudited)
(Expressed in Canadian Dollars)

18. COST OF GOODS SOLD

Cost of goods sold include the following components:

	Three month period ended		Nine month period ended	
	September 30, 2020	**August 31, 2019**	**September 30, 2020**	**August 31, 2019**
Operating costs:				
Mining	**$ 13,901,761**	$ -	**$ 13,901,761**	$ -
Processing	**18,540,226**	-	**18,540,226**	-
Site general and administration costs	**10,344,100**	-	**10,344,100**	-
Royalty	**890,318**	-	**890,318**	-
Production costs	**43,676,405**	-	**43,676,405**	-
Change in inventory	**(9,301,412)**	-	**(9,301,412)**	-
Total	**$ 34,374,993**	$ -	**$ 34,374,993**	$ -

19. CORPORATE GENERAL AND ADMINISTRATION

Corporate general and administration costs include the following components:

	Three month period ended		Nine month period ended	
	September 30, 2020	**August 31, 2019**	**September 30, 2020**	**August 31, 2019**
Salaries and benefits	**$ 742,956**	$ 630,990	**$ 2,980,325**	$ 2,207,337
Office and administrative	**194,980**	541,328	**953,381**	1,279,482
Share-based payments (*Note 16*)	**-**	190,102	**30,445**	848,608
Marketing	**134,524**	271,805	**572,109**	847,321
Professional fees	**419,333**	137,867	**1,379,334**	304,153
Amortization	**29,710**	29,501	**87,858**	60,675
Total	**$ 1,521,503**	$ 1,801,593	**$ 6,003,452**	$ 5,547,576

(Unaudited)
(Expressed in Canadian Dollars)

20. FINANCE COSTS

Finance costs include the following components:

	Three month period ended		Nine month period ended	
	September 30, 2020	**August 31, 2019**	**September 30, 2020**	**August 31, 2019**
Interest on debt facilities (*Note 11*)	**$ 5,169,233**	$ -	**$ 5,169,233**	$ -
Amortization of deferred financing charges (*Note 11*)	**329,595**	-	**329,595**	-
Interest and bank charges	**6,797**	8,230	**34,934**	18,789
Interest expense on leases (*Note 10*)	**50,946**	37,728	**160,186**	78,481
Accretion on reclamation provision	**85,973**	80,803	**261,089**	148,151
Total	**$ 5,642,544**	$ 126,761	**$ 5,955,037**	$ 245,421

With the achievement of commercial production, effective July 1, 2020, debt service costs are recognized in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) (*Note 8*).

21. COMMITMENTS AND CONTINGENCIES

A contractor has placed a lien on Victoria Gold (Yukon) Corp. 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, which has been paid. 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.

(Expressed in Canadian Dollars)

22. SEGMENTED INFORMATION

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 7.*

	Canada	USA	Corporate	Total
Three months ended September 30, 2020				
Revenue	**$ 80,526,228**	**$ -**	**$ -**	**$ 80,526,228**
Cost of goods sold	**34,374,993**	**-**	**-**	**34,374,993**
Depreciation and depletion	**12,995,798**	**-**	**-**	**12,995,798**
Gross profit	**33,155,437**	**-**	**-**	**33,155,437**
Corporate general & administration	**180,218**	**-**	**1,341,285**	**1,521,503**
Operating earnings (loss)	**$ 32,975,219**	**$ -**	**$ (1,341,285)**	**$ 31,633,934**

	Canada	USA	Corporate	Total
Three months ended August 31, 2019				
Revenue	$ -	$ -	$ -	$ -
Cost of goods sold	-	-	-	-
Depreciation and depletion	-	-	-	-
Gross profit	-	-	-	-
Corporate general & administration	341,897	-	1,459,696	1,801,593
Operating earnings (loss)	$ (341,897)	$ -	$ (1,459,696)	$ (1,801,593)

	Canada	USA	Corporate	Total
Nine months ended September 30, 2020				
Revenue	**$ 80,526,228**	**$ -**	**$ -**	**$ 80,526,228**
Cost of goods sold	**34,374,993**	**-**	**-**	**34,374,993**
Depreciation and depletion	**12,995,798**	**-**	**-**	**12,995,798**
Gross profit	**33,155,437**	**-**	**-**	**33,155,437**
Corporate general & administration	**936,042**	**-**	**5,067,410**	**6,003,452**
Operating earnings (loss)	**$ 32,219,395**	**$ -**	**$ (5,067,410)**	**$ 27,151,985**
September 30, 2020				
Property, plant and equipment	**$ 575,719,920**	**$ -**	**$ 281,706**	**$ 576,001,626**
Exploration and evaluation assets	**$ 29,897,347**	**$ 7,028,892**	**$ -**	**$ 36,926,239**
Total assets	**$ 709,745,192**	**$ 7,180,599**	**$ 39,443,067**	**$ 756,368,858**

	Canada	USA	Corporate	Total
Nine months ended August 31, 2019				
Revenue	$ -	$ -	$ -	$ -
Cost of goods sold	-	-	-	-
Depreciation and depletion	-	-	-	-
Gross profit	-	-	-	-
Corporate general & administration	1,048,978	-	4,498,598	5,547,576
Operating earnings (loss)	$ (1,048,978)	$ -	$ (4,498,598)	$ (5,547,576)
December 31, 2019				
Property, plant and equipment	$ 616,541,696	$ -	$ 369,564	$ 616,911,260
Exploration and evaluation assets	$ 26,324,054	$ 6,585,828	$ -	$ 32,909,882
Total assets	$ 660,520,955	$ 6,985,835	$ 19,108,941	$ 686,615,731

(Unaudited)
(Expressed in Canadian Dollars)

23. SUPPLEMENTARY CASH FLOW INFORMATION

	September 30, 2020	December 31, 2019
Non-cash investing and financing activities:		
Accounts payable and accrued liabilities relating to property, plant and equipment and exploration and evaluation asset expenditures	**$ 41,013,440**	$ 22,228,487
Stock-based compensation, capitalized to property, plant and equipment	**$ 15,011**	$ 778,285
Income taxes paid	**$ 837,102**	$ -
Interest paid	**$ 7,038,592**	$ 2,449,070

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

	Long term debt (*Note 11*)	Lease liability (*Note 10)*	Total
Balance, January 1, 2020	$ 289,625,386	$ 1,407,972	$ 291,033,358
Changes from financing activities:			
Net Proceeds from Credit Facility Draws:	9,619,674	-	9,619,674
Principal paid	(35,649,814)	(548,954)	(36,198,768)
Interest paid	(6,878,406)	(160,186)	(7,038,592)
Transaction Cost paid:	-	-	-
	256,716,840	698,832	257,415,672
Non-cash changes:			
Balance, January 1, 2020			
Lease additions	-	1,457,331	1,457,331
Interest expense	5,169,233	160,186	5,329,419
Amortization of deferred financing charges	329,595	-	329,595
Foreign exchange loss (gain)	8,152,600	-	8,152,600
Capitalized amortization of deferred financing fees	690,027	-	690,027
Capitalized interest	11,149,321	-	11,149,321
Balance, September 30, 2020	$ 282,207,616	$ 2,316,349	$ 284,523,965

24. FINANCIAL RISK MANAGEMENT

(a) 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:

		September 30, 2020		December 31, 2019	
	Classification	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	*Level 1*	**$ 39,972,714**	**$ 39,972,714**	$ 16,882,129	$ 16,882,129
Restricted cash	*Level 1*	**9,519,852**	**9,519,852**	11,271,541	11,271,541
Marketable securities	*Level 1*	**4,462,335**	**4,462,335**	870,902	870,902
Other receivables	*Amortized Cost*	**2,467,537**	**2,467,537**	5,271,203	5,271,203
Due from related parties	*Amortized Cost*	**1,232,585**	**1,232,585**	1,389,435	1,389,435
Accounts payable and accrued liabilities	*Amortized Cost*	**(60,793,548)**	**(60,793,548)**	(26,609,092)	(26,609,092)
Lease liability	*Amortized Cost*	**(2,316,349)**	**(2,316,349)**	(1,407,972)	(1,407,972)
Debt	*Amortized Cost*	**(282,207,616)**	**(282,207,616)**	(289,625,386)	(289,625,386)
Fair value of derivative instruments	*Level 2*	**70,143,861**	**70,143,861**	25,992,292	25,992,292

The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) 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.

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, risk-free interest rate and expiry date.

(c) 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 operational 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.

25. OTHER

During the nine months ended September 30, 2020, the Company received a cash payment from Barrick Gold Corporation in the amount of US$5 million, as a result of the sale of Mill Canyon, which closed on June 1, 2012. The proceeds were received by the Company upon the occurrence of a specified event, which took place during the period.