



(an exploration and development stage company)

Consolidated Financial Statements

February 28, 2013 and February 29, 2012

(Expressed in Canadian Dollars)



June 27, 2013

Independent Auditor's Report

To the Shareholders of Victoria Gold Corp.

We have audited the accompanying consolidated financial statements of Victoria Gold Corp., which comprise the consolidated statements of financial position as at February 28, 2013 and February 29, 2012 and the consolidated statements of comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and the related notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Victoria Gold Corp. as at February 28, 2013 and February 29, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Victoria Gold Corp.'s ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Victoria Gold Corp.

(an exploration and development stage company)
February 28, 2013 and February 29, 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying consolidated financial statements and all other financial information included in this report is the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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, consistent with reasonable cost, 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
June 27, 2013

(signed) "Marty Rendall"
CFO
June 27, 2013

See accompanying notes to the consolidated financial statements.

Victoria Gold Corp.
Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	<i>Notes</i>	February 28, 2013	February 29, 2012
Assets			
Current assets			
Cash and cash equivalents		\$ 12,488,626	\$ 19,663,714
Marketable securities and warrants	5	6,577,381	404,350
HST and other receivables	18	14,265,407	373,512
Prepaid expenses		289,813	516,946
		<u>33,621,227</u>	<u>20,958,522</u>
Assets held for sale	17	-	29,084,395
Non-current assets			
Restricted cash		511,969	838,133
Investment in associate	6	59,620	1,040,962
Long-term receivable and accredited interest	18	9,163,174	-
Property and equipment	7	5,568,336	6,025,612
Resource properties	8	94,772,469	69,807,669
		<u>104,742,568</u>	<u>76,672,376</u>
Total assets		<u>\$ 143,696,795</u>	<u>\$ 127,755,293</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 6,087,034	\$ 4,845,724
Current portion of ARO	10	-	85,995
		<u>6,087,034</u>	<u>4,931,719</u>
Non-current liabilities			
Deferred taxes	19	2,327,790	-
Asset retirement obligations ("ARO")	10	2,288,177	986,458
Total liabilities		<u>10,703,001</u>	<u>5,918,177</u>
Shareholders' Equity			
Share capital	11	151,618,587	151,388,890
Contributed surplus	12	12,820,726	11,501,792
Accumulated other comprehensive loss		(3,395,872)	(3,358,803)
Accumulated deficit		(28,049,647)	(37,694,763)
Total shareholder's equity		<u>132,993,794</u>	<u>121,837,116</u>
Total liabilities and equity		<u>\$ 143,696,795</u>	<u>\$ 127,755,293</u>

Nature of operations and going concern (Note 1)

See accompanying notes to the consolidated financial statements.

**Authorized for issue by the Board
of Directors on June 27th, 2013 and
signed on its behalf.**

"T. Sean Harvey"

Director

"Chris Hill"

Director

Victoria Gold Corp.
Consolidated Statements of Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

		For the year ended	
		February 28,	February 29,
	Notes	2013	2012
Operating expenses			
Salaries and benefits excluding share-based payments		\$ 1,524,139	\$ 1,554,400
Share-based payments	12	891,350	1,129,007
Consulting		954,253	296,799
Office and administrative		683,983	770,398
Legal and accounting		1,057,625	389,048
Marketing		195,410	342,316
Amortization		21,320	21,516
Foreign exchange gain		(1,937,493)	(118,951)
Premium on flow-through shares		-	(691,481)
Resource property impairments	8	2,158,921	-
Gain on disposal of assets held for sale		(21,345,893)	-
		<u>(15,796,385)</u>	<u>3,693,052</u>
Finance (income) costs			
Unwinding of present value discount: ARO		17,299	44,403
Interest and bank charges		6,560	5,627
Interest income	18	(1,052,638)	(139,541)
Change in fair value of marketable securities and warrants		1,458,136	65,000
		<u>429,357</u>	<u>(24,511)</u>
Share of net loss of associate	6	266,940	377,733
Impairment of investment in associate	6	611,770	1,527,122
		<u>14,488,318</u>	<u>(5,573,396)</u>
Income (loss) before taxes			
Current income taxes	19	(2,715,264)	-
Deferred tax provision	19	(2,127,938)	-
		<u>9,645,116</u>	<u>(5,573,396)</u>
Net income (loss)			
Other Comprehensive income (loss)			
Currency translation adjustment		65,563	(538,673)
Share of other comprehensive income (loss) of associate		(102,632)	85,930
		<u>\$ 9,608,047</u>	<u>\$ (6,026,139)</u>
Total comprehensive income (loss) for the year			
Income (loss) per share - basic and diluted	9	<u>\$ 0.028</u>	<u>\$ (0.019)</u>
Weighted average number of shares			
Basic and diluted		339,725,899	296,235,060

See accompanying notes to the consolidated financial statements.

Victoria Gold Corp.

Consolidated Statement of Changes in Shareholder's Equity

(Expressed in Canadian Dollars)

	Notes	Share capital		Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total equity
		Number of shares	Amount				
Balance at March 1, 2011		276,922,262	\$ 124,138,662	\$ 9,548,664	\$ (2,906,060)	\$ (32,121,367)	\$ 98,659,899
Transactions with owners:							
Proceeds from share issue		62,337,336	30,075,000				30,075,000
Proceeds from stock options exercised		105,000	40,075				40,075
Fair values allocated upon exercise:							
Stock options			15,226	(15,226)			-
Share issuance costs			(2,188,592)				(2,188,592)
Share-based payments, expensed				1,129,007			1,129,007
Share-based payments, capitalized				839,347			839,347
Premium on flow-through shares			(691,481)				(691,481)
Total transactions with owners:		62,442,336	27,250,228	1,953,128	-	-	29,203,356
Net loss for the year						(5,573,396)	(5,573,396)
Other comprehensive income/(loss):							
Share of other comprehensive income of associate					85,930		85,930
Currency translation adjustment					(538,673)		(538,673)
Balance at February 29, 2012	11	339,364,598	\$ 151,388,890	\$ 11,501,792	\$ (3,358,803)	\$ (37,694,763)	\$ 121,837,116
Balance at March 1, 2012		339,364,598	\$ 151,388,890	\$ 11,501,792	\$ (3,358,803)	\$ (37,694,763)	\$ 121,837,116
Transactions with owners:							
Proceeds from stock options exercised		509,375	106,969				106,969
Shares issued for property		200,000	58,000				58,000
Fair values allocated upon exercise:							
Stock options			64,728	(64,728)			-
Share-based payments, expensed				891,350			891,350
Share-based payments, capitalized				624,740			624,740
Tax effect on expiry of warrants				(132,428)			(132,428)
Total transactions with owners:		709,375	229,697	1,318,934	-	-	1,548,631
Net income for the year						9,645,116	9,645,116
Other comprehensive income/(loss):							
Share of other comprehensive loss of associate					(102,632)		(102,632)
Currency translation adjustment					65,563		65,563
Balance at February 28, 2013	11	340,073,973	\$ 151,618,587	\$ 12,820,726	\$ (3,395,872)	\$ (28,049,647)	\$ 132,993,794

See accompanying notes to the consolidated financial statements.

Victoria Gold Corp.
Consolidated Statement of Cash Flows

(Expressed in Canadian Dollars)

	Notes	For the year ended	
		February 28, 2013	February 29, 2012
Cash flows from operating activities			
Net income (loss) for the year		\$ 9,645,116	\$ (5,573,396)
Adjustments for:			
Resource property impairments	8	2,158,921	-
Share-based payments	12	891,350	1,129,007
Income taxes	19	4,097,162	-
Gain on disposal of property and equipment		(10,104)	-
Share of net loss of associate		266,940	377,733
Premium on flow through shares		-	(691,481)
Impairment in associate		611,770	1,527,122
Unwinding of present value discount: ARO	10	17,299	44,403
Gain on sale of assets held for sale		(21,363,784)	-
Change in fair value of marketable securities and warrants		1,829,564	65,000
Unwinding of present value discount: Receivables	18	(887,590)	-
Amortization		21,320	21,516
Net unrealized foreign exchange gain		(1,014,029)	129,562
		(3,736,065)	(2,970,534)
Working capital adjustments:			
(Increase) decrease in HST and other receivables		(168,714)	323,410
(Increase) decrease in marketable securities		560,226	(306,500)
(Increase) decrease in prepaid expenses		(117,244)	(31,041)
Increase (decrease) in accounts payables and accrued liabilities		(341,394)	(63,801)
		(67,126)	(77,932)
Net cash flows used in operating activities		(3,803,190)	(3,048,466)
Cash flows used in investing activities			
Resource properties	8	(26,362,306)	(29,403,127)
Cash received from disposition of assets held for sale		22,874,030	-
Restricted cash		345,776	(179,282)
Purchase of property and equipment		(444,320)	(1,339,739)
Proceeds on disposition of property and equipment		14,221	-
Net cash flows used in investing activities		(3,572,599)	(30,922,148)
Cash flows from financing activities			
Shares issued for cash, net of issuance cost		-	27,886,408
Exercise of warrants and options	11 & 12	106,969	40,075
Net cash flows from financing activities		106,969	27,926,483
Foreign exchange gain on cash balances		93,733	41,309
Net decrease in cash and cash equivalents		(7,175,088)	(6,002,822)
Cash and cash equivalents, beginning of the year		19,663,714	25,666,536
Cash and cash equivalents, end of the year		\$ 12,488,626	\$ 19,663,714

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

Victoria Gold Corp.

(an exploration and development stage company)

Notes to the Consolidated Financial Statements

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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-V.

The Company is engaged in the acquisition, evaluation, 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. The Company's registered office is located at 80 Richmond St. West, Suite 303, Toronto, Ontario, M5H 2A4, Canada.

The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permits to complete the development, and upon future profitable production or proceeds from disposition of these assets.

At February 28, 2013, Victoria Gold Corp. ("Victoria" or "the Company") had a working capital surplus of \$27,534,193 (compared with a surplus of \$16,026,803 at February 29, 2012), reported net income of \$9,645,116 (2012 net loss - \$5,573,396) and accumulated deficit of \$28,049,647 (\$37,694,763 at February 29, 2012). The Company's ability to meet its obligations and maintain operations is contingent upon successful completion of additional financing arrangements, securing all necessary permits and its ability to fulfil its planned exploration and development programs. The Company periodically seeks financing to continue the exploration and development of its resource properties and to meet its on-going administrative requirements. Although the Company has been successful in raising funds to date, there can be no assurances that additional funding will be available in the future. These combined factors lend significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations as they come due for the foreseeable future. These consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PRESENTATION

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 (Barbados) Corporation, Tassawini Gold (Barbados) Corporation and (together referred to as "StrataGold") were acquired by the Company on June 4, 2009.

During the year ended February 29, 2012, the Company dissolved StrataGold (Barbados) Corporation, a Barbados corporation and Tassawini Gold (Barbados) Corporation, a Barbados corporation.

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These financial statements were approved by the Board of Directors for issue on June 27, 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and adoption of IFRS

The consolidated financial statements of the Company are prepared in accordance with IFRS, are presented in Canadian dollars and include the operating results of the Company's subsidiaries. The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the revaluation of certain financial instruments to fair value.

(c) Consolidation

Subsidiaries are entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases. Accounting policies of the subsidiaries are consistent with those of the Company. All inter-company balances and transactions have been eliminated.

(d) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense or capitalized is adjusted to reflect the actual number of share options that are expected to vest.

(e) Deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized through earnings, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred

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income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(f) Flow-through shares

Under Canadian income tax legislation, the Company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company has adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered and (ii) recognize an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

The allocation of the proceeds is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

(g) Property and equipment

Property and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company provides for amortization of its property and equipment at the following annual rates:

Field and Automotive equipment	-from 20%-30% declining balance basis
Buildings and structures	-straight line over the useful life (ranging three to twelve years)
Leasehold improvements	-straight line over the term of the lease (five years)
Other assets	-from 20%-30% declining balance basis

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Assets under construction are capitalized as a separate component of property and equipment. On completion, the cost of construction is transferred to the appropriate category. Assets under construction are not amortized. Amortization commences on the date when the assets are available for use.

(h) Resource properties and deferred exploration and evaluation costs

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in loss in the year.

Capitalized costs, including certain operating expenses, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are reviewed for impairment at each cash-generating unit ("CGU") level. The Company defines CGU on a property by property basis.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(i) Assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at lower of carrying amount and fair value less costs to sell.

(j) Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to CGU's to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to

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the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately through operations.

(k) Foreign currencies

Functional and presentational currency

All amounts in these financial statements are presented in Canadian Dollars unless otherwise stated.

The functional currency of the Company is the Canadian Dollar and the functional currency of the significant operating subsidiaries is either the Canadian Dollar or the US Dollar. The functional currency for the Company and its' subsidiaries is determined as the currency of the primary economic environment in which they operate.

Foreign currency translation

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the statement of financial position date. Exchange gains and losses on settlement of transactions, and the translation of monetary assets and liabilities other than in functional currency are recorded in income.

Translation from functional to presentational currency

The results and financial position of all of the Company's subsidiaries that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that statement of financial position.
- Income and expenses for each statement of comprehensive loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognized in other comprehensive income and as a separate component of equity.

(l) Financial assets and liabilities

Financial assets held are cash and cash equivalents, restricted cash, marketable securities and accounts receivable. Financial liabilities are accounts payable and accrued liabilities.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. These are classified into the following specified categories: available-for-sale (“AFS”), financial assets at fair value through profit and loss, loans and receivables or other liabilities. The classification depends on the nature and purpose of the financial assets or liabilities and is determined at the time of initial recognition. Marketable securities held by the Company for trading in an active market are classified as being financial assets at fair value through profit and loss and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in loss.

Amounts receivable that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective

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interest method, less any impairment. Interest income is recognized by applying the effective interest rate. Other financial liabilities are measured at amortized cost.

The Company has classified its financial instruments as follows:

Cash and cash equivalents	-	Loans and receivables
Term deposits, restricted cash	-	Loans and receivables
Investment in marketable securities	-	Financial assets at fair value through profit and loss
Other receivables	-	Loans and receivables
Accounts payable and accrued liabilities	-	Other financial liabilities

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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).

Impairment of financial assets:

Financial assets other than those at fair value through profit and loss are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. The Company does not have any derivative financial instruments or interest calculated using the effective interest method.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit and short-term investments with remaining maturities of three months or less at time of acquisition. The Company does not hold any asset backed commercial paper.

(n) Restricted cash

Restricted cash includes reclamation bonds held by the Nevada Bureau of Land Management, Newmont Mining Corporation and a major bank in the United States. The cash will be returned to the Company upon

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successful completion of reclamation at the Company's various properties in Nevada which are not expected within the next twelve months.

(o) Investments in associates

Associates are those entities in which the Company has a material long-term interest and in respect of which the Company exercises significant influence over operational and financial policies, normally owning between 20% and 50% of the voting equity, but which it does not control.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The accounting policies of the associate are consistent with those adopted by the Company. The Company's share of its associates' post-acquisition profits or losses is recognized in loss and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive loss with a corresponding adjustment to the carrying amount of the investment. When the Company's share of the losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has unsecured legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of net loss of associate' in loss.

When the Company no longer has a significant influence over an associate, accounting for the investment as an associate ceases. The carrying value of the investment in the associate at the date it ceases to be an associate is transferred to the new designated class of financial asset. The investment is then accounted for under the requirements of the new financial asset designation.

(p) Asset retirement obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Risk-free discount rates using pre-tax rates that reflect the time value of money are used to calculate the net present value. The Company records a provision for environmental rehabilitation in the financial statements when it is incurred and capitalizes this amount as an increase in the carrying amount of the related asset. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

(q) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(r) Expenses

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except

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where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(s) Earnings (Loss) per share

Basic earnings/loss per common share is calculated by dividing the earnings/loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period.

(t) Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (operating segment), and/or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company reports separately three operating segments, corporate segment and mineral exploration and development in two geographical segments, Canada and the United States.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which consists of review of total assets and net income/(loss). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. No impairment indicators of non-financial assets have been noted for the years ended February 28, 2013 and February 29, 2012 other than the impairment taken on investment in associate (*Note 6*) and the write down of Big Springs property (*Note 8*), sold in February 2013.

Stock-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards and the number of awards that are expected to vest. These estimates affect the amount recognized as stock based payments in the consolidated statements of loss and comprehensive loss based on estimates of forfeiture, stock price volatility and expected lives of the underlying stock options.

Income taxes and recovery of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Management did not recognize deferred tax assets as future taxable profits are not expected until the Company reaches

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technical feasibility and commercial viability of the extraction of the mineral resources, the timing of which is uncertain as the Company is still in the exploration and evaluation stage.

Discounting of receivables

The measurement of certain accounts receivable requires management to make judgments about the likelihood of collectability of future cash flow. Management has applied a credit adjusted discount rate to the Cove sale receivables (*Note 18*).

Accounting standards and interpretations issued but not yet effective

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Management has yet to assess the impact of these standards and amendments or determined whether it will early adopt them.

IFRS 9, "Financial Instruments" ("IFRS 9")

In November 2009, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 will be issued in three phases. The first phase, which has already been issued, addresses the accounting for financial assets and financial liabilities. The second phase will address impairment of financial instruments, while the third phase will address hedge accounting.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

Requirements for financial liabilities were added to IFRS 9 in October 2010. Although the classification criteria for financial liabilities will not change under IFRS 9, the fair value option may require different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk.

In December 2011, the IASB issued amendments to IFRS 9, extending the mandatory effective date for implementation of IFRS 9, which is now effective for annual periods beginning on or after January 1, 2015, although early adoption is permitted, with varying transitional arrangements dependent on the date of initial application.

IFRS 10, "Consolidated Financial Statements" ("IFRS 10")

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation—Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"). This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013.

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IFRS 13, "Fair Value Measurement" ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013.

Amendments to Other Standards

In addition to the issuance of new standards as detailed above, there have also been amendments to existing standards, including IAS 1, "Presentation of Financial Statements" ("IAS 1"), IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") and IAS 32 "Financial Instruments: Presentation" ("IAS 32").

The amendments to IAS 1 will require that entities group items presented in other comprehensive income ("OCI") based on an assessment of whether such items may or may not be reclassified to earnings at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted.

The amended IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13 as outlined above. Amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted. Amendments to IFRS 7 require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position. Amendments to IFRS 7 are applicable to annual periods beginning on or after January 1, 2013, with retrospective application required.

The amendments to IAS 32 clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. Early adoption is permitted.

There are no other IFRS or IFRS Interpretation Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on the Company.

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5. MARKETABLE SECURITIES AND WARRANTS

	February 28, 2013	February 29, 2012
Current investments		
Opening balance	\$ 404,350	\$ 162,850
Additions	8,862,029	306,500
Disposals	(859,434)	-
Change in fair value	(1,829,564)	(65,000)
Financial assets at fair value through profit and loss	\$ 6,577,381	\$ 404,350

During the year ended February 28, 2013, 892,857 shares of Premier Gold were received as a result of the Cove sale and 10,000,000 shares and 5,000,000 warrants of Pershing Gold were received as a result of the Relief Canyon sale (Note 17).

6. INVESTMENT IN ASSOCIATE

	February 28, 2013	February 29, 2012
Takara Resources Inc. – 22,208,355 common shares	\$ 1,040,962	\$ 2,859,887
Share of net loss	(266,940)	(377,733)
Impairment of investment in associate	(611,770)	(1,527,122)
Share of other comprehensive (loss) income	(102,632)	85,930
	\$ 59,620	\$ 1,040,962

At February 28, 2013, the Company held 23.42% of the issued and outstanding shares of Takara. The Company accounts for its investment in Takara using the equity method of accounting. At November 30, 2011, the Company made a decision to write-down its investment in Takara to the quoted market value resulting in an impairment charge of \$1,527,122 and as of November 30, 2012 the Company provided a further impairment provision of \$611,770. At February 28, 2013, the Takara shares had a quoted market value of \$222,084 (February 29, 2012 - \$1,554,585).

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7. PROPERTY AND EQUIPMENT

	Other assets	Assets under construction	Buildings/structure	Field & automotive equipment	Leasehold improvements	Land	Total
Cost							
March 1, 2011	\$ 105,350	\$ 5,023,380	\$ -	\$ 104,277	\$ -	\$ 307,855	\$ 5,540,862
Transfers	-	(5,023,380)	5,023,380	-	-	-	-
Additions	202,288	-	916,139	81,770	139,542	-	1,339,739
February 29, 2012	307,638	-	5,939,519	186,047	139,542	307,855	6,880,601
Additions	237,644	-	24,833	11,856	169,987	-	444,320
Disposals	-	-	-	(12,397)	-	-	(12,397)
February 28, 2013	\$ 545,282	\$ -	\$ 5,964,352	\$ 185,506	\$ 309,529	\$ 307,855	\$ 7,312,524
Accumulated amortization							
March 1, 2011	\$ 30,514	\$ -	\$ -	\$ 49,881	\$ -	\$ -	\$ 80,395
Additions	87,091	-	654,573	18,976	13,954	-	774,594
February 29, 2012	117,605	-	654,573	68,857	13,954	-	854,989
Additions	124,442	-	704,811	23,321	44,906	-	897,480
Disposals	-	-	-	(8,281)	-	-	(8,281)
February 28, 2013	\$ 242,047	\$ -	\$ 1,359,384	\$ 83,897	\$ 58,860	\$ -	\$ 1,744,188
Net book value							
March 1, 2011	\$ 74,836	\$ 5,023,380	\$ -	\$ 54,396	\$ -	\$ 307,855	\$ 5,460,467
February 29, 2012	\$ 190,033	\$ -	\$ 5,284,946	\$ 117,190	\$ 125,588	\$ 307,855	\$ 6,025,612
February 28, 2013	\$ 303,235	\$ -	\$ 4,604,968	\$ 101,609	\$ 250,669	\$ 307,855	\$ 5,568,336

During the year ended February 29, 2012, the all-season camp located at Dublin Gulch was transferred from assets under construction to buildings/structure.

During the year ended February 28, 2013, the Company capitalized depreciation related to resource properties of \$876,160 (\$753,078 - 2012).

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8. RESOURCE PROPERTIES

	February 28, 2011	Additions	Currency Translation	Transfers (Note 17)	February 29, 2012
Mill Canyon (Nevada)	\$ 10,847,621	\$ 815,436	\$(1,230,574)	\$ (10,432,483)	\$ -
Cove (Nevada)	13,430,402	3,172,778	486,507	(17,089,687)	-
Big Springs (Nevada) *	6,327,561	570,983	(130,948)	-	\$ 6,767,596
Santa Fe (Nevada) **	3,846,239	358,396	134,022	-	4,338,657
Dublin Gulch (Yukon)	29,435,506	28,469,636	-	-	57,905,142
Other properties ***	2,134,306	132,626	91,568	(1,562,225)	796,275
	<u>\$ 66,021,635</u>	<u>\$33,519,855</u>	<u>\$ (649,425)</u>	<u>\$ (29,084,395)</u>	<u>\$ 69,807,670</u>

	February 29, 2012	Additions	Impairment (Note 17)	Currency Translation	Transfers (Note 17)	February 28, 2013
Big Springs (Nevada) *	\$ 6,767,596	\$ 683,676	\$ (2,188,775)	\$ 213,933	\$ (5,476,430)	\$ -
Santa Fe (Nevada) **	4,338,657	6,089,508		364,017		10,792,182
Dublin Gulch (Yukon)	57,905,142	25,385,317		-		83,290,459
Other properties ***	796,275	(136,301)	29,854	-		689,828
	<u>\$ 69,807,670</u>	<u>\$ 32,022,200</u>	<u>\$ (2,158,921)</u>	<u>\$ 577,950</u>	<u>\$ (5,476,430)</u>	<u>\$ 94,772,469</u>

* Big Springs includes the Golden Dome, Dorsey Creek and Mac Ridge properties.

** Santa Fe additions include additional rights, title and interest acquired from the Mill Canyon sale (Note 17).

*** Other properties include interests in Wattabaeg and Russell Creek in Ontario and Donjek, Aurex, Eureka, Canalask, Clear Creek and Hyland in Yukon Territory and Island Mountain and Jack Creek in Nevada.

Santa Fe, Nevada

On May 21, 2008 the Company entered into an agreement with Homestake Mining Company of California, a subsidiary of Barrick Gold of North America. The Company had the right to earn a 60% interest in the Santa Fe property by spending US\$5,000,000 over five years and an additional 10% by spending an additional US\$1,500,000 in the sixth year.

As a result of the sale of Mill Canyon transaction (Note 17) on June 1, 2012, the Company now has 100% interest in the Santa Fe property and no further spending or earn in conditions are required.

Dublin Gulch, Yukon Territory

The Dublin Gulch property was acquired by StrataGold on December 2, 2004 and StrataGold was purchased by Victoria on June 4, 2009. The property is located in Yukon Territory, Canada.

The property is subject to the following three royalties, which arise from underlying agreements:

1. with respect to a portion of the property, historically known as the Mar Gold Zone, an annual royalty payment of \$20,000 or payment of 2% of gross returns received from the sale of all metals produced from the claims, whichever is greater, to a maximum of \$1,000,000, after which the royalty reverts to 1% of gross returns;
2. with respect to the 36 claims on the Lynx Zone, a 1½% NSR royalty with annual advance royalty payments of \$15,000; and
3. with respect to the 63 claims and leases known as the Mar Tungsten Leases, a 1% NSR royalty.

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Other Properties

Other properties include properties or interests in Yukon, Ontario and Nevada.

9. INCOME (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.

	For the year ended	
	February 28, February 29,	
	2013	2012
Net income (loss)	\$ 9,645,116	\$ (5,573,396)
Weighted average number of common shares issued	<u>339,725,899</u>	<u>296,235,060</u>
Basic earnings (loss) per share	<u>\$ 0.028</u>	<u>\$ (0.019)</u>

(b) Diluted

The fully diluted earnings per share is calculated using the common share balance increased by the number of common shares that could be issued under outstanding in the money warrants and options of the Company.

	For the year
	ended
	February 28,
	2013
Net income (loss) attributable to common shareholders	<u>\$ 9,645,116</u>
Weighted average number of common shares issued	339,725,899
Adjustment for:	
Stock options	<u>-</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>339,725,899</u>
Diluted earnings (loss) per share	<u>\$ 0.028</u>

As a result of the loss for the year-ended February 29, 2012, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and accordingly basic and diluted loss per share are the same.

10. ASSET RETIREMENT OBLIGATIONS

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and have been measured at fair value. Fair value 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,

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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. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the reporting date using the following assumptions:

- a) total undiscounted amount of inflation adjusted future reclamation costs was determined to be \$552,912 for Dublin Gulch and \$1,697,840 for Santa Fe;
- b) weighted average risk-free interest rate at 1.1% 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 2026 for Dublin Gulch and through 2014 for Santa Fe.

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

	February 28, 2013	February 29, 2012
Balance, beginning of period	\$ 1,072,453	\$ 1,194,040
Unwinding of discount: ARO	17,299	44,403
Currency translation	53,354	(110,752)
ARO recognized for additional interest in Santa Fe	1,714,766	-
ARO released due to disposal of properties	(503,039)	-
ARO change due to change in estimates	(66,656)	(55,238)
Balance, end of year	2,288,177	1,072,453
Less: Current portion	-	(85,995)
Long-term liability	\$ 2,288,177	\$ 986,458

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 340,073,973 and 339,364,598 shares as at February 28, 2013 and February 29, 2012, respectively.

On November 9, 2011, the Company closed a brokered agreement with a syndicate of underwriters (the "Underwriters") led by BMO Capital Markets, under which the Underwriters agreed to purchase, on a bought deal basis, a combination of common shares (the "Common Shares") and flow-through common shares (the "Flow-Through Common Shares") to provide the Company with gross proceeds of C\$30,075,000 (the "Offering"). The Common Shares were sold at a price of \$0.46 per Common Share, for gross proceeds of C\$21,520,510. The Flow-Through Common Shares were sold at a price of \$0.55 per Flow-Through Common Share, for gross proceeds of C\$8,554,490. The Underwriters received a cash commission equal 6.0% of the gross proceeds from the sale of the Offering.

Warrants

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

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	February 28, 2013			February 29, 2012		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding, beginning of the year	4,776,000	\$ 0.55	\$ 999,456	4,776,000	\$ 0.55	\$ 999,456
Expired	(4,776,000)	\$ 0.55	(999,456)	-	\$ -	-
Outstanding, end of the year	-		\$ -	4,776,000	\$ 0.55	\$ 999,456

Details of the warrants outstanding at February 28, 2013 are:

	Number of Warrants	Exercise price	Expiry date
Issued in private placement	4,776,000	\$ 0.55	March 13, 2012
	<u>4,776,000</u>		

These warrants have since expired without being exercised.

12. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

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. One-eighth of options granted under the plan vest immediately; a further one-eighth vest after each three month period thereafter, with the final one-quarter vesting eighteen months from the date of grant. At February 28, 2013, 10,682,365 (13,985,302 as at February 29, 2012) additional stock options were available for grant under the Company's stock option plan.

The exercise price of options granted in accordance with the plan must not be lower than the closing price for such shares as quoted on the Toronto Stock Exchange Venture ("TSX-V") on the last business day prior to the date of the grant. The period for exercising an option shall not extend beyond a period of ten years following the date the option is granted. The total number of options held by insiders of the Company must not exceed 10% of the total number of shares issued and outstanding, unless approved by a majority of disinterested shareholders votes cast at a shareholders meeting.

A summary of the status of the Plan as at February 28, 2013 and as at February 29, 2012, and changes during the periods ended on those dates is presented below:

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	February 28, 2013			February 29, 2012		
	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 year	19,951,157	\$ 0.59	\$6,695,104	13,782,340	\$ 0.71	\$5,325,059
Granted	9,375,000	\$ 0.25	1,337,198	7,825,000	\$ 0.46	2,144,875
Exercised	(509,375)	\$ 0.21	(64,728)	(105,000)	\$ 0.36	(15,223)
Expired	(4,221,802)	\$ 0.75	(1,829,840)	(907,433)	\$ 1.10	(381,346)
Forfeited	(1,270,000)	\$ 0.47	(365,345)	(643,750)	\$ 1.04	(378,261)
Outstanding, end of the year	23,324,980	\$ 0.44	\$5,772,389	19,951,157	\$ 0.59	\$6,695,104

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As at February 28, 2013, 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
March 3, 2008	24,980	24,980	\$ 1.60	March 3, 2013
July 30, 2008	540,000	540,000	\$ 0.40	July 30, 2013
September 29, 2008	280,000	280,000	\$ 0.34	September 29, 2013
December 17, 2008	1,680,000	1,680,000	\$ 0.21	December 17, 2013
May 11, 2009	150,000	150,000	\$ 0.32	May 11, 2014
July 2, 2009	250,000	250,000	\$ 0.40	July 2, 2014
July 13, 2009	75,000	75,000	\$ 0.36	July 13, 2014
September 21, 2009	550,000	550,000	\$ 0.38	September 21, 2014
December 18, 2009	1,705,000	1,705,000	\$ 0.70	December 18, 2014
October 8, 2010	330,000	330,000	\$ 1.25	October 8, 2015
February 9, 2011	1,788,750	1,788,750	\$ 1.05	February 9, 2016
May 18, 2011	210,000	210,000	\$ 0.74	May 18, 2016
August 22, 2011	612,500	612,500	\$ 0.65	August 22, 2016
September 8, 2011	600,000	450,000	\$ 0.69	September 8, 2014
September 8, 2011	110,000	82,500	\$ 0.57	September 8, 2016
January 20, 2012	5,118,750	3,350,625	\$ 0.40	January 20, 2017
May 28, 2012	855,000	440,000	\$ 0.27	May 28, 2017
September 3, 2012	130,000	32,500	\$ 0.22	September 3, 2017
January 11, 2013	8,315,000	1,039,375	\$ 0.25	January 11, 2018
	23,324,980	13,591,230		

The March 3, 2008 granted options have since expired without being exercised.

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 11, 2013, the Company granted 8,315,000 incentive stock options with an exercise price of \$0.25 per option to employees of the Company. The stock options have a term of five years and expire on January 11, 2018. The fair value of these options totalling \$1,169,089 will be recognized (\$613,981 expensed and \$555,108 capitalized to resource properties) over the vesting periods, of which \$517,515 has been recognized (\$271,788 expensed and \$245,727 capitalized) as at February 28, 2013. The fair value of these options was calculated based on a risk-free annual interest rate of 1.24%, an expected life of 4.2 years, an expected volatility of 78% and a dividend yield rate of nil. This results in an estimated value of \$0.14 per option at the grant date using the Black-Scholes option-pricing model.

On September 3, 2012, the Company granted 130,000 incentive stock options with an exercise price of \$0.22 per option to employees of the Company. The stock options have a term of five years and expire on September 3, 2017. The fair value of these options totalling \$13,078 will be recognized (capitalized to resource properties) over the vesting periods, of which \$8,404 has been recognized as at February 28, 2013. The fair value of these options was calculated based on a risk-free annual interest rate of 0.98%, an expected life of 5 years, an expected volatility of 72% and a dividend yield rate of nil. This results in an estimated value of \$0.10 per option at the grant date using the Black-Scholes option-pricing model.

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On May 28, 2012, the Company granted 930,000 incentive stock options with an exercise price of \$0.27 per option to employees of the Company. 75,000 of these options were forfeited as at February 28, 2013. The stock options have a term of five years and expire on May 28, 2017. The fair value of these options totalling \$142,529 will be recognized (capitalized to resource properties) over the vesting periods, of which \$119,451 has been recognized as at February 28, 2013. The fair value of these options was calculated based on a risk-free annual interest rate of 1.55%, an expected life of 4.9 years, an expected volatility of 83% and a dividend yield rate of nil. This results in an estimated value of \$0.17 per option at the grant date using the Black-Scholes option-pricing model.

On January 20, 2012, the Company granted 6,115,000 incentive stock options with an exercise price of \$0.40 per option to employees of the Company. 953,750 of these options were forfeited as at February 29, 2013. The stock options have a term of five years and expire on January 20, 2017. The fair value of these options totalling \$1,273,280 will be recognized (\$773,028 expensed and \$500,252 capitalized to resource properties) over the vesting periods, of which \$1,198,360 has been recognized (\$726,180 expensed and \$472,180 capitalized) as at February 28, 2013. The fair value of these options was calculated based on a risk-free annual interest rate of 1.09%, an expected life of 4.7 years, an expected volatility of 86% and a dividend yield rate of nil. This results in an estimated value of \$0.32 per option at the grant date using the Black-Scholes option-pricing model.

On September 8, 2011, the Company granted 110,000 incentive stock options with an exercise price of \$0.57 per option to employees of the Company. The stock options have a term of five years and expire on September 8, 2016. The fair value of these options totalling \$34,980 will be recognized (capitalized to resource properties) over the vesting periods, of which \$34,680 has been recognized (capitalized) as at February 28, 2013. The fair value of these options was calculated based on a risk-free annual interest rate of 1.20%, an expected life of 3 years, an expected volatility of 92% and a dividend yield rate of nil. This results in an estimated value of \$0.32 per option at the grant date using the Black-Scholes option-pricing model.

On September 8, 2011, the Company granted 600,000 incentive stock options with an exercise price of \$0.69 per option to a consultant. The stock options have a term of three years and expire on September 8, 2014. The fair value of these options totalling \$177,000 will be recognized (expensed) over the vesting periods, of which \$175,759 has been recognized (expensed) as at February 28, 2013. The fair value of these options was calculated based on a risk-free annual interest rate of 1.20%, an expected life of 3 years, an expected volatility of 92% and a dividend yield rate of nil. This results in an estimated value of \$0.30 per option at the grant date using the Black-Scholes option-pricing model.

On August 22, 2011, the Company granted 675,000 incentive stock options with an exercise price of \$0.65 per option to employees of the Company. 62,500 of these options were forfeited as at February 29, 2013. The stock options have a term of five years and expire on August 22, 2016. The fair value of these options totalling \$269,777 has been fully recognized (\$138,091 expensed and \$131,686 capitalized to resource properties) as at February 28, 2013. The fair value of these options was calculated based on a risk-free annual interest rate of 1.92%, an expected life of 4.3 years, an expected volatility of 96% and a dividend yield rate of nil. This results in an estimated value of \$0.43 per option at the grant date using the Black-Scholes option-pricing model.

On May 18, 2011, the Company granted 325,000 incentive stock options with an exercise price of \$0.74 per option to employees of the Company. 76,250 of these options were forfeited as at November 30, 2012. The stock options have a term of five years and expire on May 18, 2016. The fair value of these options totalling \$102,722 has been fully recognized (\$10,323 expensed and \$92,400 capitalized to resource properties) as at November 30, 2012. The fair value of these options was calculated based on a risk-free annual interest rate of 1.74%, an expected life of 3 years, an expected volatility of 95% and a dividend yield rate of nil. This results in an estimated value of \$0.41 per option at the grant date using the Black-Scholes option-pricing model.

On February 9, 2011, the Company granted 2,725,000 incentive stock options with an exercise price of \$1.05 per option to employees of the Company. 622,500 of these options were forfeited as at August 31, 2012. The stock options have a term of five years and expire on February 9, 2016. The fair value of these options totalling

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\$1,245,608 has been fully recognized (\$883,563 expensed and \$362,045 capitalized to resource properties) as at August 31, 2012. The fair value of these options was calculated based on a risk-free annual interest rate of 2.14%, an expected life of 4.5 years, an expected volatility of 97% and a dividend yield rate of nil. This results in an estimated value of \$0.59 per option at the grant date using the Black-Scholes option-pricing model.

On October 8, 2010, the Company granted 530,000 incentive stock options with an exercise price of \$1.25 per option to employees of the Company. 81,250 of these options were forfeited as at August 31, 2012. The stock options have a term of five years and expire on October 8, 2015. The fair value of these options totalling \$335,490 has been fully recognized (\$83,812 expensed and \$251,678 capitalized to resource properties) as at August 31, 2012. The fair value of these options was calculated based on a risk-free annual interest rate of 1.78%, an expected life of 3 years, an expected volatility of 101% and a dividend yield rate of nil. This results in an estimated value of \$0.75 per option at the grant date using the Black-Scholes option-pricing model.

Option pricing models require the input of highly subjective assumptions. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the grant date. The Company uses a forfeiture rate of 2.86%.

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 who are not independent for the years ended February 28, 2013 and February 29, 2012 was as follows:

	2013	2012
Salaries and other short term employment benefits	\$1,833,727	\$1,456,269
Share based compensation	\$ 745,183	\$ 773,031

The amounts above have been awarded solely to officers of the Company for work performed in their full-time capacity for the Company.

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

At February 28, 2013, the Company has future minimum annual operating lease commitments for vehicles and office premises in: (1) Vancouver, BC, (2) Toronto, Ontario, (3) Reno, Nevada, (4) Elko County, Nevada and (5) Whitehorse, Yukon, as follows:

	CAN\$	US\$
to February 28, 2014	\$ 574,934	\$ 15,075
to February 28, 2015	550,087	-
to February 28, 2016	520,303	-
to February 29, 2017	226,854	-
to February 28, 2018 and thereafter	150,448	-
Total	\$ 2,022,625	\$ 15,075

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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 8*.

In millions of Cdn \$	Canada	USA	Corporate	Total
February 28, 2013				
Assets held for sale (<i>Note 17</i>)	-	-	-	-
Investment in associate (<i>Note 6</i>)	0.1	-	-	0.1
Property and equipment	5.6	-	-	5.6
Resource properties	83.9	10.9	-	94.8
HST and other receivables	0.2	14.0	0.1	14.3
Long-term receivables and accredited interest	-	9.2	-	9.2
Total Assets	90.8	33.5	19.4	143.7
Gain on sale of assets held for sale (<i>Note 17</i>)	-	(21.3)	-	(21.3)
Income tax	-	4.9	(0.1)	4.8
Net loss/(income)	1.0	(15.1)	4.5	(9.6)
February 29, 2012				
Assets held for sale (<i>Note 17</i>)	-	29.1	-	29.1
Investment in associate (<i>Note 6</i>)	1.0	-	-	1.0
Property and equipment	5.9	-	0.1	6.0
Resource properties	58.7	11.1	-	69.8
HST and other receivables	0.4	-	-	0.4
Long-term receivables and accredited interest	-	-	-	-
Total Assets	74.6	40.2	13.0	127.8
Gain on sale of assets held for sale (<i>Note 17</i>)	-	-	-	-
Income tax	-	5.5	(0.1)	5.4
Net loss/(income)	2.0	-	3.6	5.6

16. SUPPLEMENTARY CASH FLOW INFORMATION

	February 28, 2013	February 29, 2012
Non-cash investing and financing activities:		
Accounts payable and accrued liabilities relating to resource property expenditures	\$ 2,952,587	\$4,187,462
Stock-based compensation, capitalized to resource properties (<i>Note 12</i>)	\$ 624,740	\$ 839,347
Non cash proceeds on sale of assets held for sale	\$34,135,243	\$ -
Income taxes paid	\$ 1,450,735	\$ -
Interest paid	\$ -	\$ -

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17. ASSETS HELD FOR SALE

Certain of the Company's resources properties (*Note 8*) located in Nevada, USA, including Cove, Relief Canyon, Mill Canyon and Big Springs have been presented as held for sale following the approval of management's decision to sell them.

	February 29, 2012	Additions	Currency Translation	Sales	February 28, 2013
Mill Canyon (Nevada)	\$ 10,432,483	\$ (4,384)	\$ (4,082)	\$ (10,424,017)	\$ -
Relief Canyon (Nevada)	1,562,225	26,109	-	(1,588,334)	-
Cove (Nevada)	17,089,687	250,672	(6,687)	(17,333,672)	-
Big Springs (Nevada) *	-	5,476,430	-	(5,476,430)	-
	<u>\$ 29,084,395</u>	<u>\$ 5,748,827</u>	<u>\$ (10,769)</u>	<u>\$ (34,822,453)</u>	<u>\$ -</u>

* Big Springs includes the Golden Dome, Dorsey Creek and Mac Ridge properties.

The Relief Canyon transaction closed on April 5, 2012 with proceeds of US\$2 million cash and 10 million shares valued at US\$0.37/share, of Pershing Gold Corp. common stock (OTCBB: PGLC) and 5 million warrants valued at US\$0.20/warrant, each exercisable into one share of common stock at \$0.60/share for two years. As additional consideration, Victoria will be granted a 2% net smelter return royalty on the production from all mining claims on the Property which are not subject to a royalty on behalf of Newmont. As a result of this transaction, the Company recognized a gain of approximately \$4.9 million during the first quarter.

The Mill Canyon transaction closed on June 1, 2012 with proceeds of US\$15 million cash plus Barrick Gold Corporation's right, title and interest in the Santa Fe Property, located in Mineral County, Nevada, valued at US\$4 million. Additionally, Victoria became entitled to receive a contingent cash payment based on the occurrence of certain future events. As a result of this transaction, the Company recognized a gain of approximately \$8.4 million during the second quarter.

The Cove transaction closed on June 14, 2012 with total consideration of up to \$48 million. Proceeds of \$4 million cash and \$4 million worth of Premier Gold Mines Limited ("Premier") common stock were received. An additional \$10 million is due on each of June 14, 2013 (*Note 18*) and June 14, 2014 (*Note 18*) and can be satisfied with up to 50% of Premier common stock, at their discretion. An additional, contingent \$20 million may be received in four instalments of \$5 million each upon the cumulative production, to Premier's account, of 250,000, 500,000, 750,000, and 1,000,000 troy ounces of gold from this Project. As a result of this transaction, the Company recognized a gain of approximately \$8.1 million during the second quarter.

The Big Springs transaction closed on February 6, 2013 with total consideration of up to US\$6 million. US\$2 million is contingent upon the fulfilment of certain milestones, which was then finalized as US\$1.3 million. The Company agreed, by way of a binding terms sheet, to sell its interest in the Big Springs Property (the "Property"), located in Elko County, Nevada, to MRG Copper LLC which is a US subsidiary of Big Springs Project Pty Ltd. and which is concurrently being acquired by Kimberley Rare Earths Limited (together, the "Buyers"). The Property was written down US\$2.2 million to match the finalized expected proceeds from sale of US\$5.3 million. As a result of this transaction, the Company did not recognize a gain or loss on disposal.

18. RECEIVABLES

Following the completion of the Cove sale, the Company received a non-interest bearing promissory note from Premier. The nominal amount of the promissory note of \$20,000,000 (the present value of the promissory note, using a discount rate of 7% is \$18,080,181 as at June 14, 2012) will be received over the next two years. The value of the receivable is being accreted to the face value of the promissory note at its maturity date, with recognition through the statement of comprehensive income as a form of interest income over the term of the note.

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Anniversary Date	Total receivable	February 28, 2013	
		Discounted Principal	Accredited interest
June 13, 2013	\$ 10,000,000	\$ 9,804,597	\$ 195,403
June 13, 2014	10,000,000	9,163,174	836,826
Total	\$ 20,000,000	\$ 18,967,771	\$ 1,032,229

During the year ended February 28, 2013, \$887,590 was accredited to interest income as a result of the unwinding of the discount. There was an additional \$165,048 of interest income earned on cash balances during the year (\$139,541 for the year ended February 29, 2012).

In addition, following the completion of the Big Springs sale, the Company received cash of \$2 million at the time of completion of the transaction and recorded receivables of \$3.3 million totalling proceeds from sale of \$5.3 million.

Total HST and other receivables are comprised of the \$9.8 million above for Cove, \$3.3 million above for Big Springs and \$1.2 million in tax and other receivables.

Subsequent to year end, \$5 million cash and \$5 million in Premier common stock was received on June 14, 2013.

19. INCOME TAXES

	Year ended February 28, 2013	Year ended February 29, 2012
Current income tax:		
Based on taxable income for the period	\$ (2,715,264)	\$ -
Prior period (under) over provision	-	-
	(2,715,264)	-
Deferred income tax:		
Origination/reversal of temporary differences	\$ (6,806,848)	\$ -
Tax benefit-previously unrecognized tax assets	4,678,910	-
	(2,127,938)	-
Income tax expense	\$ (4,843,202)	\$ -

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The reconciliation of the combined Canadian federal and provincial statutory income tax rate on the net loss for the years ended February 28 is as follows:

	Year ended February 28, 2013	Year ended February 29, 2012
Net (Income) Loss before recovery of income taxes	\$ (14,488,318)	\$ 5,573,396
Expected income tax (expense) recovery	(3,839,404)	1,560,551
Increase (decrease) resulting from:		
Change in tax benefits not recognized	1,335,209	532,487
Under (over) provided in prior periods	2,232,778	804,241
Tax rate changes and other adjustments	(1,018,107)	(1,458,294)
Effect of flow-through renunciation	(1,000,878)	(1,314,316)
Non-deductible permanent items	(2,552,800)	(124,668)
Income tax expense	\$ (4,843,202)	\$ -

The Company's income tax is allocated as follows:

Current tax expense	(2,715,264)	-
Deferred tax expense	(2,127,938)	-
	(4,843,202)	-

The 2013 statutory tax rate of 26.5% differs from the 2012 statutory tax rate of 28% because of the reduction in federal and provincial substantively enacted tax rates.

The deferred income tax liability continuity summary is as follows:

Balance - February 29, 2012	\$ -
Recognized in equity	(132,428)
Foreign exchange	(67,424)
Utilization of losses in net income	132,428
Recognized in net income (loss)	(2,260,366)
Balance - February 28, 2013	\$ (2,327,790)

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The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013	2012
Deferred tax assets	\$ -	\$ -
- Deferred tax asset to be recovered after more than 12 months	7,972,705	143,086
- Deferred tax asset to be recovered within 12 months	-	787,110
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(10,300,495)	(143,086)
- Deferred tax liability to be recovered within 12 months	-	(787,110)
Deferred tax liability (net)	\$ (2,327,790)	\$ -

Deferred income tax

The following table summarizes the components of deferred income tax:

	2013	2012
Deferred income tax assets:		
Non-capital losses	7,621,747	930,196
Other	350,958	
Set-off against deferred income tax liabilities	(7,972,705)	(930,196)
Deferred income tax assets-per balance sheet	-	-
Deferred income tax liabilities:		
Resource properties	(10,300,495)	(930,196)
Set-off against deferred income tax assets	7,972,705	930,196
Deferred income tax liabilities-per balance sheet	(2,327,790)	-

Management believes that it is not probable that sufficient taxable profit will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

	2013	2012
Non-capital losses		
Canada	\$ 33,152,611	\$ 33,725,156
U.S.	\$ 15,425,474	\$ 27,400,292
Capital loss - Canada	\$ 5,915,945	
Resource related deductions	\$ 8,142,457	\$ 5,639,969
Share issue costs	\$ 2,725,009	\$ 4,205,954
Intangible assets	\$ 1,871,046	\$ 1,958,204
Property plant and equipment	\$ 1,954,156	\$ 1,213,474
Marketable Securities	\$ 1,831,681	\$ -

The Canadian and United States non-capital income tax losses expire from 2014 to 2033; intangible assets,

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mineral property and exploration expenses, property plant and equipment and marketable securities have no expiry date. Share issue costs expire from 2014 to 2017. Capital losses can be carried forward indefinitely but may only be applied against capital gains income.

As a February 2013, \$nil (2012 - \$nil) was recognized as a deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries as the Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future; and the investments are not held for resale and are expected to be recouped by continued use of these operations by the subsidiaries. The amount of temporary differences not booked for these unremitted earnings at February 28, 2013 is \$4,127,684 (2012 - \$nil).

20. 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 in operating expenses upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures already incurred. The Company has recognized a deferred premium liability of \$691,481 relating to the flow-through financing completed on November 9, 2011 (see note 11). At February 29, 2012, the deferred premium was reduced and operating expense for the year then ended decreased by \$691,481 to reflect the qualifying flow-through expenditures completed during the year ended February 29, 2012.

21. 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 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 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. As at February 28, 2013, the Company had no bank debt.

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 year ended February 28, 2013. The Company is not subject to externally imposed capital requirements.

22. 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. Reclamation bonds reflect non-interest bearing cash deposits held with governmental agencies representing the state of Nevada, Newmont Mining Corporation and interest bearing certificates of deposit held by Wells Fargo. 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 and receivables. The

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maximum exposure is limited to amounts of cash and cash equivalents, restricted cash and receivables on the statement of financial position.

(b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

As of February 28, 2013, the Company had a cash balance of \$12,488,626 (February 29, 2012 - \$19,663,714) to settle current accounts payable and accrued liabilities of \$6,087,034 (February 29, 2012 - \$4,845,724).

(c) Market 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 investment, however the risk is limited due to the nature and low balance of the Company's holdings.

(d) Foreign exchange risk

The Company incurs exploration expenditures in the United States and holds its restricted cash and a portion of its cash and cash equivalents in US dollars. This gives rise to a risk that its US dollar expenditures and US dollar cash holdings may be adversely impacted by fluctuations in foreign exchange. The Company does not undertake currency hedging activities.

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of investing cash equivalents into fixed interest rate investments is mitigated by the short terms in which the investments mature. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited as these investments, although available for sale, renew daily. The short-term investments included in cash and cash equivalents earn interest at prevailing rates. This allows the Company to adapt its investment strategy in the event of any large fluctuations in the prevailing market rates.

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Sensitivity analysis

The following table summarizes the sensitivity of the Company's cash, cash equivalents and restricted cash to changes in interest rates and foreign exchange rates over the twelve month reporting period ended February 28, 2013.

	Carrying amount	Interest rate change (1)		Foreign currency change (2)	
		+ 1%	- 1%	+ 10%	- 10%
Cash and cash equivalents (Cdn \$)					
Cash - Cdn\$ denominated	74,988	750	(750)	-	-
Cash - US\$ denominated	3,201,579	32,016	(32,016)	320,158	(320,158)
Treasury funds – Canadian denominated	9,212,059	92,120	(92,120)	-	-
Total cash and cash equivalents	12,488,626	124,886	(124,886)	320,158	(320,158)
Reclamation bonds - US\$ denominated (non-interest bearing)	25,022	-	-	2,502	(2,502)
Reclamation bonds - US\$ denominated (interest bearing)	342,647	3,426	(3,426)	34,265	(34,265)
Reclamation bonds - Cdn\$ denominated (non-interest bearing)	144,300	-	-	-	-
Total amount or impact - cash and deposits	13,000,595	128,312	(128,312)	356,925	(356,925)

1) Interest earned on the Company's interest bearing cash accounts, treasury funds and certificates of deposit is at prevailing rates that fluctuate with changes in banking interest rates and Government t-bill rates. Management believes that a plus or minus 1% annual change in rates is a reasonable estimate of variability over a twelve month period.

2) The Company's US dollar cash balance, US dollar reclamation bonds and US dollar based certificates of deposit are subject to foreign exchange risk. Management has shown a sensitivity analysis of a plus or minus change of 10%.

The sensitivity of the Company's foreign currency (US\$) intercompany loan which is eliminated in the consolidated financial statements, to changes in foreign exchange rates as of February 28, 2013 is Cdn\$ 2,186,111 for a plus 10% change and Cdn\$ (2,186,111) for a minus 10% change.

(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:

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	<i>Classification</i>	February 28, 2013		February 29, 2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents		\$12,488,626	\$12,488,626	\$19,663,714	\$19,663,714
Restricted cash		511,969	511,969	838,133	838,133
Marketable securities	<i>Level 1</i>	6,577,381	6,577,381	404,350	404,350
Other receivables		14,265,407	14,265,407	373,512	373,512
Long-term receivable and accredited interest		9,163,174	9,163,174	-	-
Accounts payable and accrued liabilities		(6,087,034)	(6,087,034)	(4,845,724)	(4,845,724)

(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:

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.