Victoria
GOLD CORP

Condensed Consolidated Interim Financial Statements

November 30, 2018 and 2017

(Unaudited)
(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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

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

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

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

(signed) "John McConnell"	(signed) "Marty Rendall"
Director, President and CEO	CFO
January 25, 2019	January 25, 2019

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	November 30, 2018	February 28, 2018
Assets			
Current assets			
Cash and cash equivalents		$ 41,030,836	$ 9,374,888
Marketable securities and warrants		270,369	552,203
HST and other receivables		6,467,329	323,017
Due from related parties	*13*	1,011,929	-
Prepaid expenses		1,303,564	659,403
		50,084,027	10,909,511
Non-current assets			
Deferred financing fees	*5*	3,158,688	-
Restricted cash	*8*	14,338,126	9,014,172
Advances and deposits	*7*	-	8,485,953
Property, plant and equipment	*7*	381,018,213	7,588,142
Resource properties	*8*	29,014,416	163,740,148
Total assets		$ 477,613,470	$ 199,737,926
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 79,690,229	$ 6,096,519
Current portion of long-term debt	*6*	10,836,848	-
		90,527,077	6,096,519
Non-current liabilities			
Derivative instruments	*17*	7,766,943	-
Long-term debt	*6*	72,587,216	-
Asset retirement obligations ("ARO")	*9*	7,456,618	2,228,313
Total liabilities		178,337,854	8,324,832
Shareholders' Equity			
Share capital	*11*	326,160,562	216,096,163
Contributed surplus		22,170,386	22,427,641
Accumulated other comprehensive loss		(2,620,583)	(2,539,471)
Accumulated deficit		(46,434,749)	(44,571,239)
Total shareholders' equity		299,275,616	191,413,094
Total liabilities and equity		$ 477,613,470	$ 199,737,926

Nature of operations and going concern *(Note 1)*

See accompanying notes to the condensed consolidated interim financial statements.

Authorized for issue by the Board of Directors on January 25th, 2019 and signed on its behalf. **"T. Sean Harvey"** Director **"Chris Hill"** Director

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	For the three months ended November 30, 2018	For the three months ended November 30, 2017	For the nine month period ended November 30, 2018	For the nine month period ended November 30, 2017
Operating expenses					
Salaries and benefits excluding share-based payments		$ 510,743	$ 356,905	$ 1,643,134	$ 1,298,048
Office and administrative		364,011	144,929	904,289	445,611
Share-based payments	*12*	151,571	170,829	430,006	738,479
Marketing		292,248	243,936	510,996	640,782
Legal and accounting		32,631	194,116	129,142	692,382
Consulting	*20*	26,118	119,731	2,629,950	425,324
Amortization		1,675	1,634	3,820	4,079
Foreign exchange (gain) loss		157,763	(411,660)	(1,661,784)	58,152
		1,536,760	820,420	4,589,553	4,302,857
Finance (income) costs					
Unwinding of present value discount: ARO		55,092	11,174	89,184	21,743
Interest and bank charges		6,556	4,313	31,844	16,334
Interest income		(336,059)	(97,615)	(1,020,942)	(353,713)
Change in fair value of marketable securities		83,121	224,356	281,834	104,764
Change in fair value of derivative instruments	*17*	2,167,694	-	(1,883,405)	-
		1,976,404	142,228	(2,501,485)	(210,872)
Loss before taxes		(3,513,164)	(962,648)	(2,088,068)	(4,091,985)
Current income taxes	*22*	224,558	563,025	224,558	563,025
Net loss		(3,288,606)	(399,623)	(1,863,510)	(3,528,960)
Other Comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss					
Currency translation adjustment		(39,834)	(49,851)	(81,112)	75,118
Total items that may be reclassified subsequently to profit or loss		(39,834)	(49,851)	(81,112)	75,118
Total comprehensive loss for the period		$ (3,328,440)	$ (449,474)	$ (1,944,622)	$ (3,453,842)
Loss per share - basic and diluted	*10*	$ (0.004)	$ (0.001)	$ (0.003)	$ (0.007)
Weighted average number of shares					
Basic and Diluted		777,330,177	516,765,493	734,876,198	513,967,225

See accompanying notes to the condensed consolidated interim financial statements.

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

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Share capital: Number of shares	Share capital: Amount	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balance at March 1, 2017		504,301,913	$ 207,603,077	$ 21,040,214	$ (2,623,512)	$ (41,393,056)	$ 184,626,723
Transactions with owners:							
Proceeds from share issue		11,494,253	10,000,000				10,000,000
Proceeds from stock options exercised		1,006,250	223,000				223,000
Fair values allocated upon exercise:							
Stock options			120,820	(120,820)			-
Share issuance costs			(46,515)	-			(46,515)
Share-based payments, expensed				738,479			738,479
Share-based payments, capitalized				631,552			631,552
Premium on flow-through shares			(1,907,508)				(1,907,508)
Total transactions with owners:		12,500,503	8,389,797	1,249,211	-	-	9,639,008
Net loss for the period						(3,528,960)	(3,528,960)
Other comprehensive income/(loss):							
Currency translation adjustment					75,118		75,118
Balance at November 30, 2017	*11*	516,802,416	$ 215,992,874	$ 22,289,425	$ (2,548,394)	$ (44,922,016)	$ 190,811,889
Balance at March 1, 2018		517,137,416	$ 216,096,163	$ 22,427,641	$ (2,539,471)	$ (44,571,239)	$ 191,413,094
Transactions with owners:							
Proceeds from share issue		250,000,000	125,000,000				125,000,000
Fair values assigned to gold calls issued under private placement			(5,290,998)				(5,290,998)
Fair values assigned to warrants issued under private placement			(4,359,350)				(4,359,350)
Proceeds from stock options exercised		10,808,750	1,978,700				1,978,700
Fair values allocated upon exercise:							
Stock options			1,000,372	(1,000,372)			-
Share issuance costs			(8,264,325)				(8,264,325)
Share-based payments, expensed				430,006			430,006
Share-based payments, capitalized				313,111			313,111
Total transactions with owners:		260,808,750	110,064,399	(257,255)	-	-	109,807,144
Net loss for the period						(1,863,510)	(1,863,510)
Other comprehensive income/(loss):							
Currency translation adjustment					(81,112)		(81,112)
Balance at November 30, 2018	*11*	777,946,166	$ 326,160,562	$ 22,170,386	$ (2,620,583)	$ (46,434,749)	$ 299,275,616

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Condensed Consolidated Interim Statement of Cash Flows

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	For the nine month period ended November 30, 2018	2017
Cash flows from operating activities			
Net income/(loss) for the period		$ (1,863,510)	$ (3,528,960)
Adjustments for:			
Share-based payments	*12*	430,006	738,479
Income taxes	*22*	(224,368)	(594,229)
Unwinding of present value discount: ARO	*9*	89,184	21,743
Change in fair value of marketable securities		281,834	104,764
Change in fair value of derivative instruments	*17*	(1,883,405)	-
Amortization		3,820	4,079
Net unrealized foreign exchange (gain) loss		(944,181)	483,536
		(4,110,620)	(2,770,588)
Working capital adjustments:			
(Increase) decrease in HST and other receivables		(6,144,312)	(668,473)
(Increase) decrease in marketable securities		-	29,900
(Increase) decrease in prepaid expenses and deposits		(868,929)	(2,871,504)
Increase (decrease) in accounts payables and accrued liabilities		(476,994)	111,799
		(7,490,235)	(3,398,278)
Net cash flows used in operating activities		(11,600,855)	(6,168,866)
Cash flows from (used) in investing activities			
Sale of mineral property interest	*8*	63,700,000	-
Resource properties	*8*	(6,854,742)	(26,070,253)
Related party loan	*13*	(1,011,929)	-
Restricted cash		(5,311,229)	(8,565,705)
Purchase of property, plant and equipment		(205,626,293)	(4,352,145)
Net cash flows from (used) in investing activities		(155,104,193)	(38,988,103)
Cash flows from financing activities			
Shares issued for cash, net of issuance cost	*11*	116,735,675	9,953,485
Exercise of warrants and options		1,978,700	223,000
Credit Facility, net of deferred finance fees	*6*	79,726,756	-
Repayment of long-term debt	*6*	(686,760)	-
Net cash flows from financing activities		197,754,371	10,176,485
Foreign exchange gain (loss) on cash balances		606,625	(174,407)
Net increase (decrease) in cash and cash equivalents		31,655,948	(35,154,891)
Cash and cash equivalents, beginning of the period		9,374,888	59,588,197
Cash and cash equivalents, end of the period		$ 41,030,836	$ 24,433,306

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

(Unaudited)
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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 start and complete the development, and upon future profitable production or proceeds from disposition of these assets.

These condensed consolidated interim financial statements have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company's future is currently dependent upon its ability to successfully complete additional financing arrangements, secure all necessary permits, its ability to fulfil its planned exploration and development programs and upon future profitable production from, or the proceeds from the disposition of, its mineral properties. The Company periodically seeks financing to continue the exploration and development of its resource properties and to meet its future administrative requirements. Although the Company has been successful in raising funds to date, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods. These combined factors lend significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern and therefore these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary If the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

At November 30, 2018, Victoria Gold Corp. ("Victoria" or "the Company") had a working capital deficit of $40,443,050 (compared with a surplus of $4,812,992 at February 28, 2018), an accumulated deficit of $46,434,749 ($44,571,239 at February 28, 2018) and reported a net loss of $1,863,510 for the nine month period ended November 30, 2018 (2017 net loss - $3,528,960). See Subsequent Event *Note 21* for details on additional funds received.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the nine months ended November 30, 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended February 28, 2018, which have been prepared in accordance with IFRSs.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Derivative Instruments

The Company uses derivative financial instruments (currently only option contracts) to manage exposure to fluctuations in gold prices and may use derivatives to manage exposure to interest rates, foreign currency exchange rates and input costs.

The Company initially recognizes all derivative financial instruments at fair value and on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are classified as current or non-current based on contractual maturity.

b) Debt

Recognition and measurement

Debt is initially recognized at fair value, net of transaction costs incurred. Debt is subsequently measured at amortized cost using effective interest rate method. Transaction costs incurred on the establishment of the debt facilities are recognized as deferred finance charge and transferred as a reduction to debt in proportion to the drawdown of the debt facility. Deferred finance charges classified as a reduction to debt are amortized over the life of the debt facility using the effective interest rate method. When it is determined that it is probable that some or all of the debt facility will not be drawn-down, the related transaction costs are amortized over the remaining debt facility period.

c) Changes in IFRS effective for the first time

The following revised standards are effective for annual periods beginning on or after January 1, 2018. The Company has assessed the amendments and determined that there are no material impacts on the accounting and presentation of the Financial Statements.

i) IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, the Company adopted IFRS 9, Financial Instruments: ("IFRS 9") effective March 1, 2018. Further, no material changes were noted as a result of the new impairment model, and the Company does not currently engage in any hedging activity that meets the criteria for hedge accounting and is therefore not affected by the new hedge accounting guidance. Financial liabilities will continue to be measured at amortized cost. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income. Changes in fair values of FVTPL assets are recorded in the consolidated statement of loss and comprehensive loss/(income) in the period in which they arise.

The Company currently has marketable securities classified as FVTPL.

Financial assets at amortized cost

Financial assets classified as amortized cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The Company's financial assets, which are not provisionally priced, are comprised of cash and interest receivable with fixed or determined cash flows related solely to principal and interest amounts. Financial assets at amortized cost are initially recognized at the amount expected to be received, net of any transaction costs incurred. Subsequently, financial assets are measured at amortized cost using the effective interest method. The Company recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost when applicable.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Corporation has opted to measure them at FVTPL. Accounts payable and accrued liabilities and credit facilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost. Financial liabilities at FVTPL are initially recognized at fair value with any changes to fair value recognized in the consolidated statement of loss and comprehensive loss/(income) in the period in which they arise.

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. The table below illustrates the change in classification of the Company's financial instruments under IAS 39 and IFRS 9.

Line Item	**IFRS 9**	**IAS 39**	
	New Classification	**Original Classification**	**Measurement Model**
Cash and cash equivalents	FVTPL	FVTPL	FVTPL
Restricted cash	FVTPL	FVTPL	FVTPL
Marketable securities and warrants	FVTPL	FVTPL	FVTPL
Other receivables	Amortized cost	Loans and receivables	Amortized cost
Accounts payable and other accrued liabilities	Amortized cost	Other liabilities	Amortized cost
Derivative instruments	FVTPL	FVTPL	FVTPL

ii) IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was adopted effective for annual periods beginning March 1, 2018 and given that the Company does not have revenue from contracts with customers, there is no material impact from adoption of the standard.

d) Future accounting pronouncements

The following revised interpretation and standard is effective for annual periods as noted below. The Company has not fully assessed the standards, interpretations and amendments, but does not expect them to have a material impact on the Company's accounting or disclosures, except as disclosed in i) and ii) below:

i) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 "Leases", which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard becomes effective for annual periods beginning on or after January 1, 2019 and management does not currently anticipate the early adoption of the standard. The Company is completing its assessment of the standard but expects to recognize lease liabilities and right-of-use assets in respect of operating leases previously expensed.

ii) IFRIC 23, Uncertainty over Income Tax Treatments

Uncertainty over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and is to be applied to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation becomes effective for annual periods beginning on or after January 1, 2019 and management does not currently anticipate the early adoption of the standard.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended February 28, 2018, except for the updates detailed below:

Royalty agreements
When entering into a long-term royalty arrangement linked to production at specific project, judgment is required in assessing the appropriate accounting treatment for the transaction. The Company considers the specific terms of each arrangement to determine whether the Company has disposed of an interest in the reserves and resources of the respective operation. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation.

Equipment Finance Facility
Upon the drawdown under the Cat Financial facility, judgment is required in assessing the appropriate accounting treatment for the transaction. The Company considers the terms of the Master Lease Agreement ("MLA") to determine whether the transaction should be treated as a sale and finance leaseback or as a debt facility. The Company concluded that the substance of the sale and finance leaseback is a means whereby Cat Financial

can provide the Company with financing with the assets used as security. The Company determined that it will account for the Cat Facility as a debt facility with consistent financial statement disclosures.

5. DEFERRED FINANCING COSTS

During the period ended November 30, 2018, the Company had $3.2 million in net deferred financing charges as a result of the financing facilities entered into below. The deferred financing charges will be amortized over the life of the facility. During the nine months ended November 30, 2018, the Company allocated $2.1 million to the Cat financial facility and $0.5 million to the Orion subordinated credit facility.

6. DEBT

On March 8, 2018, the Company announced a construction financing package totaling approximately $505 million in aggregate (the “Financing”) to fund the construction of the Eagle Gold project through to commercial production with Orion Mine Finance (“Orion”), Osisko Gold Royalties Ltd (“Osisko”) and Caterpillar Financial Services Limited (“Cat Financial”). Execution of definitive documentation in conjunction with the Financing was announced on April 16, 2018.

Transaction Details

In connection with the Financing, the Company has (together, in certain cases, with its subsidiaries) entered into, with Orion:

- a credit agreement with respect to a US$75 million senior secured credit facility;
- a credit agreement with respect to a US$100 million subordinated secured credit facility;
- a subscription agreement with respect to a private placement of 150,000,000 common shares of the Company at a price of $0.50 per share for gross proceeds of $75 million;
- a warrant certificate with respect to 25,000,000 common share purchase warrants, with each warrant entitling Orion to purchase one common share of the Company at a price of $0.625 per share for a period of five years;
- a gold call option certificate with respect to options on 20,000 ounces of refined gold at a price of US$1,485 per ounce, with an exercise date of April 13, 2023; and
- an offtake agreement entitling Orion to purchase 25% of the gold production from the Eagle Gold project on the terms set out therein.

The Company has also (together, in certain cases, with its subsidiaries) entered into, with Osisko:

- a royalty purchase agreement and royalty agreement with respect to the granting of a 5% net smelter return royalty (subject to reduction to 3% upon the achievement of certain output thresholds) on the Dublin Gulch property (subject to certain exclusions), which includes the Eagle Gold project for an aggregate purchase price of $98 million; and
- a subscription agreement with respect to a private placement of 100,000,000 common shares of the Company at a price of $0.50 per share for gross proceeds of $50 million;

Separately, the Company has also entered into, with Cat Financial, a master lease agreement with respect to a US$50 million equipment financing facility.

Funding of the remaining tranche of the royalty purchase, the senior and subordinated credit facilities, and the Cat Financial lease is subject to the satisfaction of certain conditions precedent, and completion of necessary steps to meet the security interests in respect of the Orion credit facilities, Osisko royalty and Cat Financial equipment financing. The second tranche of $49 million of the royalty purchase is to be funded pro rata to drawdowns under the subordinated debt component of the Orion credit facilities.

Debt Facilities

Senior Secured Debt Facility

The Company entered into a US$75 million debt facility with Orion under the following commercial terms:

- Available from the date the Subordinated Loan Facility is fully drawn until two years post-closing;
- Interest rate of 3-month LIBOR plus 5.00%;
- Two-year interest holiday during which interest will accrue during the construction period;
- Principal and accrued interest is repayable in 15 quarterly installments beginning 24 months post-closing.

As at November 30, 2018, the Company has not made a drawdown under the Senior Secured Debt Facility.

Subordinated Loan Facility

The Company entered into a US$100 million loan facility with Orion under the following commercial terms:

- Available for drawdown from closing for a period of two years;
- Interest rate of 3-month LIBOR plus 6.70%;
- Two-year interest holiday during which interest will accrue during the construction period;
- Principal is due at maturity on March 31, 2024.

On September 21, 2018 the Company made its first drawdown in the amount of $38.7 million ("Principal Amount"). Repayments of the Principal Amount will commence at the end of the Term, March 31, 2024. Deferred financing charges in the amount of $0.5 million were allocated to the First Drawdown and will be amortized over the Term using the effective interest rate method.

Equipment Finance Facility

The Company entered into a US$50 million facility with Caterpillar Financial Services Limited ("Cat Financial") under the following commercial terms:

- Available for drawdown against the acquisition cost of Cat mining equipment;
- Interest rate of 3-month LIBOR plus 4.25%;
- Six year, amortizing facility, maturing on April 13, 2024 (the "Term");
- Secured by Cat mining equipment.

Each drawdown made under the Equipment Finance Facility is amortized and repaid over a term of 3 to 6 years, not exceeding the maturity date (April 13, 2024). In connection with the Equipment Finance Facility the Company incurred $2.7million in deferred financing charges that will be amortized over the life of this Facility. Upon drawdown, 10% is immediately repayable, with the remainder to be repaid in quarterly instalments as set out by each drawdown's amortization schedule. In addition, the Company is required to deposit 10% of each drawdown into a debt service reserve account ("DSRA"). Funds in the DSRA are released back to the Company when certain conditions defined in the Equipment Finance Facility are met.

On August 8, 2018 the Company made its first drawdown in the amount of $13.1 million ("Principal Amount"). Quarterly repayments of the remaining Principal Amount will commence in November 2018 until fully repaid by the end of the Term. Deferred financing charges in the amount of $0.6 million were allocated to the First Drawdown and will be amortized over the Term using the effective interest rate method.

(Expressed in Canadian Dollars)

On September 21, 2018 the Company made its second drawdown in the amount of $17.1 million (“Principal Amount”). Quarterly repayments of the remaining Principal Amount will commence in December 2018 until fully repaid by the end of the Term. Deferred financing charges in the amount of $0.8 million were allocated to the Second Drawdown and will be amortized over the Term using the effective interest rate method.

On November 29, 2018 the Company made its third drawdown in the amount of $17.5 million (“Principal Amount”). Quarterly repayments of the remaining Principal Amount will commence in February 2019 until fully repaid by the end of the Term. Deferred financing charges in the amount of $0.7 million were allocated to the Third Drawdown and will be amortized over the Term using the effective interest rate method.

	November 30, 2018	**February 28, 2018**
Senior Secured Debt Facility	$ -	$ -
Subordinated Loan Facility	39,737,592	-
Add: accrued interest	722,112	-
Less: interest paid	-	-
Allocation of Deferred Finance Fees, net of Amortization	(501,084)	-
	$ 39,958,620	$ -
Equipment Finance Facility, net advancement	45,793,334	-
Less: principal paid	(471,594)	
Add: accrued interest	373,163	-
Less: interest paid	(215,166)	-
Allocation of Deferred Finance Fees, net of Amortization	(2,014,293)	-
	$ 83,424,064	$ -
Less: Current portion	(10,836,848)	-
Debt	$ 72,587,216	$ -

During the nine months ended November 30, 2018 the Company accrued interest expense of $1,095,275 (2017 - $nil) and amortized deferred financing charges of $130,104 (2017 - $nil). These charges were capitalized to construction in progress.

The Equipment Finance Facility with CAT is secured by the leased equipment with the carrying value of $51.8 million as of November 30, 2018. ($nil- 2017)

The Company’s scheduled debt principal repayments as at November 30, 2018 is summarized in the table, below:

Scheduled Debt Principal Repayments (by fiscal year)

	2019	**2020**	**2021**	**2022**	**2023**	**2024 and thereafter**	**Total**
Senior Secured Debt Facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Subordinated Loan Facility	-	-	-	-	-	39,825,000	39,825,000
Equipment Finance Facility	2,200,140	7,186,762	7,676,199	8,202,169	9,799,586	13,914,481	48,979,337
	$2,200,140	$7,186,762	$7,676,199	$8,202,169	$9,799,586	$ 53,739,481	$88,804,337

(Unaudited)
(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

In April 2018, the Company determined that the Eagle project demonstrated technical feasibility and commercial viability and, as a result, transferred the balance of the mineral property assets relating to the project to construction in progress (*Note 8*).

Additionally, the $8.5 million of advances and deposits as of February 28, 2018 were transferred to construction in progress at May 31, 2018. All costs capitalized as part of construction in progress will commence to be amortized upon achievement of commercial production.

	Other assets	Leasehold improvements	Buildings/ structure	Field & automotive equipment	Construction in progress	Total
Cost						
March 1, 2017	$ 645,039	$ 102,881	$ 6,430,340	$ 231,155	$ -	$ 7,409,415
Additions	207,917	43,651	4,124,456	795,789	-	5,171,813
February 28, 2018	852,956	146,532	10,554,796	1,026,944	-	12,581,228
Transfer from mineral property	-	-	-	-	92,773,088	92,773,088
Sale of property interest (*Note 8*)	-	-	-	-	(14,700,000)	(14,700,000)
Additions	92,190	-	5,372,949	7,027,805	284,714,983	297,207,927
November 30, 2018	$ 945,146	$ 146,532	$15,927,745	$ 8,054,749	$ 362,788,071	$387,862,243
Accumulated amortization						
March 1, 2017	$ 496,346	$ 5,140	$ 3,485,475	$ 163,909	$ -	$ 4,150,870
Charge	128,584	16,835	605,244	91,553	-	842,216
February 28, 2018	624,930	21,975	4,090,719	255,462	-	4,993,086
Charge	99,391	11,692	1,053,207	686,654	-	1,850,944
November 30, 2018	$ 724,321	$ 33,667	$ 5,143,926	$ 942,116	$ -	$ 6,844,030
Net book value						
March 1, 2017	$ 148,693	$ 97,741	$ 2,944,865	$ 67,246	$ -	$ 3,258,545
February 28, 2018	$ 228,026	$ 124,557	$ 6,464,077	$ 771,482	$ -	$ 7,588,142
November 30, 2018	$ 220,825	$ 112,865	$10,783,819	$ 7,112,633	$ 362,788,071	$381,018,213

During the period ended November 30, 2018, the Company capitalized amortization related to construction in progress of $1,847,124 ($265,929 – 2017).

The carrying value of equipment pledged as security for the related Equipment Financing Facility as at November 30, 2018 was $51.8 million ($nil- 2017). (*Note 6*)

(Unaudited)
(Expressed in Canadian Dollars)

8. RESOURCE PROPERTIES

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 28, 2018	$ 6,635,060	$ 155,523,884	$ 1,581,204	$ 163,740,148
Transfer to property, plant and equipment		(92,773,088)		(92,773,088)
Sale of property interest *	-	(49,000,000)	-	(49,000,000)
Salaries and benefits	38,937	597,445	-	636,382
Amortization	-	-	-	-
Consulting and administration	27,389	898,979	-	926,368
Land claims and royalties	62,937	57,688	25,475	146,100
Environmental and permitting	8,046	249,154	-	257,200
Government and community relations	-	47,773	-	47,773
Drilling and indirects	-	1,211,403	-	1,211,403
Other exploration	-	3,478,452	99,960	3,578,412
Asset retirement obligation adjustment	-	-	-	-
Exploration and evaluation costs for the period	137,309	6,540,894	125,435	6,803,638
Currency translation	243,718	-	-	243,718
Balance November 30, 2018	$ 7,016,087	$ 20,291,690	$ 1,706,639	$ 29,014,416

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

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

The Company recognized the first tranche of $49 million as a sale of mineral property interest and the consideration received has been recorded as a recovery of mineral property costs. Accordingly, no gain or loss was recognized on the transaction. The $14.7 million received during the period ended November 30, 2018 (*Note 7*) and the remaining $34.3 million of the royalty purchase is considered a recovery of construction in progress costs. Accordingly, no gain or loss was recognized on the transaction.

Following closing of the financing facilities (see *Note 6* and *11*), the Company determined that the Eagle Gold mine had demonstrated technical feasibility and commercial viability as the Company completed a comprehensive financing package, had received major permits required to build and operate the Eagle Gold mine, and had issued a positive feasibility study in 2016. As a result, management assessed the asset for impairment and determined that no impairment exists, and exploration and evaluation assets of $92.8 million were transferred to construction in progress within property, plant and equipment

As of November 30, 2018, restricted cash consists of $0.4 million relating to Santa Fe, $8.6 million for Dublin Gulch and $5.3 million for the CAT financial facility which requires a 10% deposit of each drawdown into a debt service reserve account ("DSRA"). The restricted cash for Dublin Gulch is a restricted guaranteed investment certificate ("GIC") that supports a line of credit that the Bank of Nova Scotia provides to a surety provider that in turn provides a $17.2M surety bond related to the reclamation performance bond.

(Unaudited)
(Expressed in Canadian Dollars)

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 28, 2017	$ 6,664,497	$ 115,109,320	$ 1,599,705	$ 123,373,522
Acquisition	-	-	(78,750)	(78,750)
Salaries and benefits	62,858	2,342,808	-	2,405,666
Amortization	-	836,778	-	836,778
Office and administration	27,445	1,684,393	-	1,711,838
Land claims and royalties	66,552	94,102	60,249	220,903
Environmental and permitting	123,743	930,867	-	1,054,610
Government and community relations	-	365,137	-	365,137
Site operations	-	12,440,901	-	12,440,901
Engineering and design	-	7,882,013	-	7,882,013
Drilling and indirects	-	5,786,803	-	5,786,803
Other exploration	-	6,864,659	-	6,864,659
Asset retirement obligation adjustment	(82,142)	1,186,103	-	1,103,961
Exploration and development costs for the period	198,456	40,414,564	60,249	40,673,269
Currency translation	(227,893)	-	-	(227,893)
Balance February 28, 2018	$ 6,635,060	$ 155,523,884	$ 1,581,204	$ 163,740,148

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

9. ASSET RETIREMENT OBLIGATIONS

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

The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with the Santa Fe and Dublin Gulch properties. As a result of construction activities, the ARO was increased during the period ended November 30, 2018. The Company prepared the Dublin Gulch reclamation obligation using prescribed third-party contractor rates with a 10% contingency. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the reporting date use the following assumptions:

a) total undiscounted amount of inflation adjusted future reclamation costs was determined to be $9,644,090 for Dublin Gulch and $407,832 for Santa Fe;

b) weighted average risk-free interest rate at 2.3% and a long-term inflation rate of 2.0%; and

c) expected timing of risk adjusted cash outflows required to settle the obligation will be incurred over the period through 2032 for Dublin Gulch and through 2027 for Santa Fe.

(Expressed in Canadian Dollars)

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

	November 30, 2018	February 28, 2018
Balance, beginning of period	$ 2,228,313	$ 1,104,821
Unwinding of discount: ARO	89,184	33,551
Currency translation	12,630	(14,020)
ARO change due to change in estimates	5,126,491	1,103,961
Balance, end of period	$ 7,456,618	$ 2,228,313

10. EARNINGS PER SHARE

(a) Basic

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

	For the three months ended November 30,		For the nine months ended November 30,	
	2018	2017	2018	2017
Net income (loss)	$ (3,288,606)	$ (399,623)	$ (1,863,510)	$ (3,528,960)
Weighted average number of common shares issued	777,330,177	516,765,493	734,876,198	513,967,225
Basic earnings (loss) per share	$ (0.004)	$ (0.001)	$ (0.003)	$ (0.007)

(b) Diluted

The effect of potential issuances of shares under options would be anti-dilutive, and accordingly, basic and diluted loss per share are the same.

11. SHARE CAPITAL AND OTHER EQUITY

Authorized, issued and outstanding common shares
Common shares, no par value, authorized unlimited number of shares, issued and outstanding were 777,946,166 and 516,682,416 shares as at November 30, 2018 and 2017, respectively.

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

On May 2, 2017, the Company closed a non-brokered private placement flow-through share offering (the "Offering") raising gross proceeds of $10.0 million, representing the issuance of 11,494,253 common shares priced at $0.87 per share. There were no finders' fees for this transaction. Other issuance costs were paid in conjunction with the Offering. The flow-through shares were subject to a four-month hold period.

(Expressed in Canadian Dollars)

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

Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. At November 30, 2018, 48,250,949 (21,928,324 as at February 28, 2018) additional stock options were available for grant under the Company's stock option plan.

A summary of the status of the Plan as at November 30, 2018 and as at February 28, 2018, and changes during the periods ended on those dates is presented below:

	November 30, 2018				February 28, 2018			
	Number of stock options	Weighted average exercise price		Fair Value Assigned	Number of stock options	Weighted average exercise price		Fair Value Assigned
Outstanding, beginning of the period	29,305,417	$	0.27	$4,181,751	29,541,667	$	0.25	$3,883,389
Granted	10,060,000	$	0.50	1,090,690	1,190,000	$	0.72	476,714
Exercised	(10,808,750)	$	0.18	(1,000,373)	(1,341,250)	$	0.22	(156,109)
Expired	(25,000)	$	0.55	(7,435)	(60,000)	$	0.40	(14,808)
Forfeited	(270,000)	$	0.50	(31,253)	(25,000)	$	0.55	(7,435)
Outstanding, end of the period	28,261,667	$	0.38	$4,233,380	29,305,417	$	0.27	$4,181,751

As at November 30, 2018, 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
January 10, 2014	4,671,667	4,671,667	$	0.12	January 10, 2019 *
December 15, 2015	6,600,000	6,600,000	$	0.15	December 15, 2020
August 9, 2016	600,000	600,000	$	0.70	August 9, 2021
January 12, 2017	5,410,000	5,410,000	$	0.55	January 12, 2020
April 24, 2017	1,190,000	1,190,000	$	0.72	April 24, 2020
May 28, 2018	5,770,000	2,930,000	$	0.50	May 28, 2021
August 15, 2018	4,020,000	1,005,000	$	0.50	August 15, 2021
	28,261,667	22,406,667			

* All of these options have since been 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 August 15, 2018, the Company granted 4,020,000 incentive stock options with an exercise price of $0.50 per option to directors, officers, employees and consultants of the Company. The stock options have a term of three years and expire on August 15, 2021. The fair value of these options, totalling $391,548, will be recognized (expensed and capitalized to resource properties) over the vesting period of one year, of which $207,051 ($107,646 expensed and $99,405 capitalized to resource properties) has been recognized as at November 30, 2018. The fair value of these options was calculated based on a risk-free annual interest rate of 2.1%, an expected life of 3.0 years, an expected volatility of 63% and a dividend yield rate of nil. This results in an estimated fair value of $0.10 per option at the grant date using the Black-Scholes option-pricing model.

(Expressed in Canadian Dollars)

On May 28, 2018, the Company granted 6,040,000 incentive stock options with an exercise price of $0.50 per option to directors, officers, employees and consultants of the Company. The stock options have a term of three years and expire on May 28, 2021. 270,000 options have since been forfeited as at November 30, 2018. The fair value of these options, totalling $697,889, will be recognized (expensed and capitalized to resource properties) over the vesting period of one year, of which $497,968 ($321,080 expensed and $176,888 capitalized to resource properties) has been recognized as at November 30, 2018. The fair value of these options was calculated based on a risk-free annual interest rate of 2.0%, an expected life of 3.0 years, an expected volatility of 65% and a dividend yield rate of nil. This results in an estimated fair value of $0.12 per option at the grant date using the Black-Scholes option-pricing model.

On April 24, 2017, the Company granted 1,190,000 incentive stock options with an exercise price of $0.72 per option to officers, employees and consultants of the Company. The stock options have a term of three years and expire on April 24, 2020. The fair value of these options, totalling $476,744, has been fully recognized as at May 31, 2018 ($15,970 expensed and $460,774 capitalized to resource properties). The fair value of these options was calculated based on a risk-free annual interest rate of 0.8%, an expected life of 3.0 years, an expected volatility of 84% and a dividend yield rate of nil. This results in an estimated fair value of $0.40 per option at the grant date using the Black-Scholes option-pricing model.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the above assumptions and a forfeiture rate of 10.03%.

Warrants

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

	November 30, 2018				February 28, 2018			
	Number of Warrants		Weighted average exercise price	Fair Value	Number of Warrants		Weighted average exercise price	Fair Value
Outstanding, beginning of the period	40,000,000	$	0.400	$ 6,620,000	40,000,000	$	0.40	$6,620,000
Issued	25,000,000	$	0.625	4,359,350	-	$	-	-
Outstanding, end of the period	65,000,000	$	0.487	$10,979,350	40,000,000	$	0.40	$6,620,000

	Number of Warrants		Exercise price	Expiry date
Issued in private placement	40,000,000	$	0.400	May 10, 2019
Issued in private placement	25,000,000	$	0.625	April 13, 2023
	65,000,000			

(Expressed in Canadian Dollars)

The fair value of the warrant expiring on May 10, 2019 were estimated as of the date of issuance using the Black-Scholes option pricing model with the following assumptions: a risk-free annual interest rate of 0.7%, an expected life of 3 years, an expected volatility of 84% and a dividend yield rate of nil.

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

These April 13, 2023 warrants are considered financial instruments at FVTPL. The holder of the warrants may exercise the warrants for the Company's common shares. However, if the exercise would result in the holder’s total share ownership exceeding 19.99% of the total number of the Company's common shares then issued and outstanding the Company would have to pay the value of the warrant. As a result, the warrants have been classified as a financial liability instrument and are recorded at fair value at each reporting period end using a Black-Scholes model. Warrant pricing models require the input of certain assumptions including price volatility and expected life. Changes in these assumptions could affect the reported fair value of the warrants (*Note 17*).

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 nine months ended November 30, 2018 and 2017 was as follows:

	2018	2017
Salaries and other short term employment benefits	$ 1,170,542	$ 1,121,314
Share based compensation	$ 300,531	$ 519,265

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

The Company granted unsecured loans to directors and officers of the Company that are for a period of 1 year at interest rates of 2% per annum and payable in full on May 29, 2019.

	November 30, 2018	February 28, 2018
Outstanding, beginning of the period	$ -	$ -
Loans advanced	1,001,750	-
Loan repayments received	-	-
Interest charged	10,179	-
Interest received	-	-
Outstanding, end of the period	$ 1,011,929	$ -

(Unaudited)
(Expressed in Canadian Dollars)

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

At November 30, 2018, the Company has future minimum annual operating lease commitments for vehicles and office premises in: (1) Vancouver, BC, (2) Toronto, Ontario and (3) Whitehorse, Yukon, as follows:

to February 28, 2019	$	165,695
to February 29, 2020		816,812
to February 29, 2021		725,747
to February 28, 2022		609,288
to February 28, 2023 and thereafter		226,663
Total	$	2,544,205

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**
As at November 30, 2018				
Property, plant and equipment	381.0	-	-	381.0
Resource properties	22.0	7.0	-	29.0
Total Assets	435.1	7.4	35.1	477.6
As at February 28, 2018				
Property, plant and equipment	7.6	-	-	7.6
Resource properties	157.1	6.6	-	163.7
Total Assets	177.2	7.7	14.8	199.7
Period ended November 30, 2018				
Net loss/(income) – Quarter	1.0	(0.2)	2.5	3.3
Net loss/(income) – YTD	2.0	(0.2)	0.1	1.9
Period ended November 30, 2017				
Net loss/(income) - Quarter	-	(0.5)	0.9	0.4
Net loss/(income) - YTD	0.4	(0.5)	3.6	3.5

(Unaudited)
(Expressed in Canadian Dollars)

16. SUPPLEMENTARY CASH FLOW INFORMATION

	November 30, 2018	February 28, 2018
Non-cash investing and financing activities:		
Accounts payable and accrued liabilities relating to property, plant and equipment and resource property expenditures	**$79,690,491**	$ 2,449,814
Stock-based compensation, capitalized to resource properties *(Note 12)*	**$ 313,111**	$ 714,187
Income taxes paid	**$ -**	$ -
Interest paid *(Note 6)*	**$ 215,166**	$ -

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

	Long term debt (*Note 6*)	Deferred Finance Charge (*Note 5*)	Total
Balance, March 1, 2018	-	-	-
Changes from financing activities:			-
Net Proceeds from Credit Facility Draws:	85,530,925	-	85,530,925
Principal paid:	(471,594)		(471,594)
Interest paid:	(215,166)		(215,166)
Transaction Cost paid:	-	(5,804,169)	(5,804,169)
	84,844,165	(5,804,169)	79,039,996
Non-cash changes:			
Deferred financing fees attributable to draws	(2,645,481)	2,645,481	-
Capitalized amortization of deferred financing fees	130,104	-	130,104
Capitalized interest	1,095,275	-	1,095,275
Balance, November 30, 2018	83,424,064	(3,158,688)	80,265,376

(Unaudited)
(Expressed in Canadian Dollars)

17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Instruments outstanding	Quantity outstanding	Remaining term	Exercise price (C$/oz)	Fair value - asset (liability)[1]
Zero-cost collars				
Gold call options - sold	100,000 oz	June 2020 - December 2021	$ 1,936	$ (4,073,179)
Gold put options - purchased	100,000 oz	June 2020 - December 2022	$ 1,500	3,083,780
				$ (989,399)
Gold call options				
Gold call options - sold	20,000 oz	April 13, 2023	US$1,485	(2,777,544)
Warrants				
Warrants	25,000,000	April 13, 2023	$ 0.625	(4,000,000)
				$ (7,766,943)

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

Zero Cost Collars

In May 2018, the Company entered into gold price zero cost collars using option contracts that the Company has elected not to designate as cash flow hedges for hedge accounting under IFRS 9. The purchase of gold put options was financed through selling gold call options at a higher level such that the net premium payable by the Company was $nil. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the condensed consolidated interim financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The Company recognized the mark-to-market adjustment of $1.0 million loss in net income/(loss) of the condensed consolidated interim statements of comprehensive loss for the nine months ended November 30, 2018.

Gold Call Options

On April 13, 2018, the Company sold a gold call option on 20,000 ounces of gold at a price of US$1,485 per ounce, with an expiry date of April 13, 2023. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the condensed consolidated interim financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at November 30, the gold call option fair value was $2.8 million, using US$1,220 per ounce of gold and a foreign exchange rate of 1.3275 US$ to C$. The Company recognized the mark-to-market adjustment $2.5 million gain in net income/(loss) of the condensed consolidated interim statements of comprehensive loss for the nine months ended November 30, 2018.

Warrants

On April 13, 2018, the Company granted 25,000,000 warrants with a strike price of $0.625 and a term of five years. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the condensed consolidated interim financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using Black-Scholes option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at November 30, the warrant fair value was $4.0 million. The Company recognized the mark-to-market adjustment $0.4 million gain in net income/(loss) of the condensed consolidated interim statements of comprehensive loss for the nine months ended November 30, 2018.

18. CAPITAL RISK MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis. There were no significant changes in the Company's approach to capital management during the three months ended November 30, 2018. The Company is not subject to externally imposed capital requirements.

19. 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, and interest bearing certificates of deposit held by Wells Fargo and Bank of Nova Scotia. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and cash equivalents, restricted cash and receivables. The maximum exposure is limited to amounts of cash and cash equivalents, restricted cash and receivables on the statement of financial position.

(b) Liquidity risk

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

As of November 30, 2018, the Company had a cash balance of $41,030,836 (2017 - $9,374,888) to settle current accounts payable and accrued liabilities and current portion of long-term debt of $90,527,077 (2017 - $6,096,519). See Subsequent Event *Note 21* for details on additional funds received.

(c) Price risk

The Company's financial assets and liabilities are exposed to price risk with respect to commodity prices and prices of the Company's equity investments. The price risk on equity investments is limited due to the nature and low balance of the Company's holdings. Commodity price risk refers to the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors prices of precious minerals to determine the appropriate course of action to be taken.

(d) Foreign currency risk

The Company incurs minimal exploration expenditures in the United States and holds a portion of its restricted cash and cash and cash equivalents in US dollars. The Company also has debt facilities in US dollars that will be utilized in future periods. The Company funds certain construction expenditures in US dollars. This gives rise to a risk that its US dollar expenditures and US dollar cash holdings 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.

(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:

		November 30, 2018		February 28, 2018	
	Classification	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	*Level 1*	$ 41,030,836	$ 41,030,836	$ 9,374,888	$ 9,374,888
Restricted cash	*Level 1*	14,338,126	14,338,126	9,014,172	9,014,172
Marketable securities	*Level 1*	270,369	270,369	552,203	552,203
Other receivables	*Level 1*	6,467,329	6,467,329	323,017	323,017
Accounts payable and accrued liabilities	*Level 1*	(79,690,229)	(79,690,229)	(6,096,519)	(6,096,519)
Fair value of derivative instruments	*Level 2*	7,766,943	7,766,943	-	-
Unrecognized (losses) / gains		-	$ -	-	$ -

(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:

(Unaudited)
(Expressed in Canadian Dollars)

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.

20. CONSULTING EXPENSE

During the quarter ended May 31, 2018, the Company incurred a break fee for a previously announced and uncompleted commercial debt package transaction as well as consulting costs for general corporate consulting services and a fee for an unused and now canceled bridge loan facility.

21. SUBSEQUENT EVENT

Subsequent to November 30, 2018, the Company received its second drawdown of US$30 million from Orion under the subordinated debt facility of US$100 million. The Company also received $14.7 million from Osisko under the royalty financing, funded pro-rata with the Orion subordinated debt. The Company again expects to account for this as a sale of interest in mineral property (recovery of construction in progress).

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

Subsequent to the quarter ended November 30, 2018, the Company granted 6,440,000 incentive stock options on January 25, 2019 with an exercise price of $0.50 per option to directors, officers and employees of the Company. The stock options have a term of three years and expire on January 25, 2022.

22. INCOME TAXES

The income tax benefit recorded in the period of approximately $0.2 million is the result of changes in the estimation of uncertain tax positions in the US.