VICTORIA GOLD CORP
TSX | VGCX

Consolidated Financial Statements

As at and for the year ended December 31, 2020 and the ten month period ended December 31, 2019

(Expressed in Canadian Dollars)

Independent auditor's report

To the Shareholders of Victoria Gold Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Victoria Gold Corp. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of impairment indicators of property, plant and equipment (PPE) *Refer to note 3 – Summary of significant accounting policies, note 4 – Significant accounting judgments and estimates and note 7 – Property, plant and equipment to the consolidated financial statements.* The net book value of PP&E amounted to $579.6 million as at December 31, 2020. Management assesses at each reporting period-end whether there is an indication that an individual asset or cash generating unit (CGU) may be impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors such as: (i) a significant decline in the market value of the Company's share price; (ii) changes in quantity of the recoverable resources and reserves; (iii) changes in metal prices, capital and operating costs; and (iv) changes in interest rates, are evaluated by management in determining whether there are any indicators of impairment. We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment.	Our approach to addressing the matter included the following procedures, among others: • Evaluated the judgment made by management in assessing the impairment indicators, which included the following: – Assessed significant declines in the market value of the Company's share price, which may indicate a decline in value of the Company's PP&E. – Assessed the changes in the quantity of the recoverable resources and reserves, metal prices, capital and operating costs and interest rates by considering external market data, current and past performance of the Company and evidence obtained in other areas of the audit, as applicable. – Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E, including consideration of evidence obtained in other areas of the audit.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Craig Moffat.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 23, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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

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

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

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

(signed) "John McConnell"
Director, President and CEO
March 23, 2021

(signed) "Marty Rendall"
CFO
March 23, 2021

Victoria Gold Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 56,136,314**	$ 16,882,129
Marketable securities and warrants		**4,373,319**	870,902
GST and other receivables	*5*	**3,150,503**	5,271,203
Inventory	*6*	**86,697,598**	-
Due from related parties	*17*	**-**	1,389,435
Prepaid expenses		**2,606,596**	1,109,379
		152,964,330	25,523,048
Non-current assets			
Restricted cash	*7*	**3,153,196**	11,271,541
Exploration and evaluation assets	*7*	**41,026,042**	32,909,882
Property, plant and equipment	*8*	**579,617,049**	616,911,260
Total assets		**$ 776,760,617**	$ 686,615,731
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	*9*	**$ 52,057,162**	$ 26,609,092
Current portion of lease liability	*10*	**751,785**	592,396
Current portion of derivative instruments	*12*	**19,736,634**	2,753,750
Current portion of long-term debt	*11*	**55,048,331**	50,277,982
		127,593,912	80,233,220
Non-current liabilities			
Deferred taxes		**9,350,000**	3,000,000
Lease liability	*10*	**1,381,613**	815,576
Derivative instruments	*12*	**28,494,371**	23,238,542
Long-term debt	*11*	**209,660,142**	239,347,404
Asset retirement obligations ("ARO")	*13*	**28,213,316**	25,351,318
Total liabilities		**404,693,354**	371,986,060
Shareholders' Equity			
Share capital	*15*	**395,740,554**	359,000,352
Contributed surplus		**22,873,438**	24,529,288
Accumulated other comprehensive loss		**(2,017,697)**	(2,517,453)
Accumulated deficit		**(50,961,993)**	(66,382,516)
Equity attributable to Victoria Gold shareholders		**365,634,302**	314,629,671
Non-controlling interest	*7*	**6,432,961**	-
Total equity		**372,067,263**	314,629,671
Total liabilities and shareholders' equity		**$ 776,760,617**	$ 686,615,731

Nature of operations and going concern *(Note 1)*
Commitments and Contingencies *(Note 27)*

See accompanying notes to the consolidated financial statements.

Authorized for issue by the Board of Directors on March 23rd, 2021 and signed on its behalf. **"T. Sean Harvey"** Director **"Chris Hill"** Director

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

(Expressed in Canadian Dollars)	*Notes*	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Revenue		$ 178,747,827	$ -
Cost of goods sold	*18*	75,304,328	-
Depreciation and depletion		27,128,291	-
Gross profit		76,315,208	-
Corporate general and administration	*19*	9,389,637	7,821,687
Operating earnings (loss)		66,925,571	(7,821,687)
Finance income		216,445	669,176
Finance costs	*20*	(13,379,451)	(280,174)
Unrealized gain (loss) on marketable securities		2,643,935	315,503
Unrealized and realized gain (loss) on derivative instruments	*12*	(44,837,302)	(11,357,809)
Foreign exchange gain (loss)		4,217,047	5,462,861
Other	*23*	6,721,000	-
		(44,418,326)	(5,190,443)
Income (loss) before taxes		22,507,245	(13,012,130)
Current income taxes	*26*	(1,634,488)	-
Deferred tax (expense) recovery	*26*	(5,980,848)	3,176,918
Net income (loss)		$ 14,891,909	$ (9,835,212)
Other Comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment		521,840	82,197
Total comprehensive income (loss) for the year		$ 15,413,749	$ (9,753,015)
Net income (loss) attributable to:			
Shareholders of the Company		$ 15,420,523	$ (9,835,212)
Non-controlling interest		(528,614)	-
		$ 14,891,909	$ (9,835,212)
Other comprehensive income attributable to:			
Shareholders of the Company		$ 499,756	$ 82,197
Non-controlling interest		22,084	-
		$ 521,840	$ 82,197
Net income (loss) and comprehensive income (loss) attributable to:			
Shareholders of the Company		$ 15,920,279	$ (9,753,015)
Non-controlling interest		(506,530)	-
		$ 15,413,749	$ (9,753,015)
Earnings (loss) per share	*14*		
Basic		$ 0.246	$ (0.173)
Diluted		$ 0.232	$ (0.173)
Weighted average number of shares outstanding	*14*		
Basic		60,480,204	56,719,796
Diluted		64,294,867	56,719,796

See accompanying notes to the consolidated financial statements.

Victoria Gold Corp.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Notes	Share capital: Number of shares	Share capital: Amount	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest	Total equity
Balance at February 28, 2019		52,398,189	$ 328,239,074	$ 22,485,359	$ (2,599,650)	$ (56,547,304)	$ -	$ 291,577,479
Transactions with owners:								
Proceeds from share issue		4,828,107	34,413,406	-	-	-	-	34,413,406
Proceeds from stock options exercised		52,333	431,747	-	-	-	-	431,747
Fair values allocated upon exercise:								
Stock options		-	233,458	(233,458)	-	-	-	-
Share issuance costs		-	(1,440,415)	-	-	-	-	(1,440,415)
Share-based payments, expensed		-	-	1,499,102	-	-	-	1,499,102
Share-based payments, capitalized		-	-	778,285	-	-	-	778,285
Premium on flow-through shares		-	(2,876,918)	-	-	-	-	(2,876,918)
Total transactions with owners:		4,880,440	30,761,278	2,043,929	-	-	-	32,805,207
Net loss for the period		-	-	-	-	(9,835,212)	-	(9,835,212)
Other comprehensive income/(loss):								
Currency translation adjustment		-	-	-	82,197	-	-	82,197
Balance at December 31, 2019	*15*	57,278,629	$ 359,000,352	$ 24,529,288	$ (2,517,453)	$ (66,382,516)	$ -	$ 314,629,671
Balance at December 31, 2019		57,278,629	$ 359,000,352	$ 24,529,288	$ (2,517,453)	$ (66,382,516)	$ -	$ 314,629,671
Transactions with owners:								
Proceeds from share issue		**3,809,072**	**30,005,369**	**-**	**-**	**-**	**-**	**30,005,369**
Proceeds from stock options exercised		**1,029,339**	**5,886,253**	**-**	**-**	**-**	**-**	**5,886,253**
Fair values allocated upon exercise:								
Stock options		**-**	**2,823,036**	**(2,823,036)**	**-**	**-**	**-**	**-**
Share issuance costs		**-**	**(1,605,304)**	**-**	**-**	**-**	**-**	**(1,605,304)**
Share-based payments, expensed		**-**	**-**	**1,152,175**	**-**	**-**	**-**	**1,152,175**
Share-based payments, capitalized		**-**	**-**	**15,011**	**-**	**-**	**-**	**15,011**
Premium on flow-through shares		**-**	**(369,152)**	**-**	**-**	**-**	**-**	**(369,152)**
Total transactions with owners:		**4,838,411**	**36,740,202**	**(1,655,850)**	**-**	**-**	**-**	**35,084,352**
Non-controlling interest		**-**	**-**	**-**	**-**	**-**	**6,939,491**	**6,939,491**
Net income/(loss) for the year		**-**	**-**	**-**	**-**	**15,420,523**	**(528,614)**	**14,891,909**
Other comprehensive income/(loss):								
Currency translation adjustment		**-**	**-**	**-**	**499,756**	**-**	**22,084**	**521,840**
Balance at December 31, 2020	*15*	**62,117,040**	**$ 395,740,554**	**$ 22,873,438**	**$ (2,017,697)**	**$ (50,961,993)**	**$ 6,432,961**	**$ 372,067,263**

See accompanying notes to the consolidated financial statements.

Victoria Gold Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Notes	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Operating activities			
Net income (loss) for the year		**$ 14,891,909**	$ (9,835,212)
Adjustments for:			
Depreciation and depletion		**27,128,291**	-
Share-based payments	*16*	**2,633,281**	1,499,102
Income taxes	*26*	**6,916,582**	(3,176,918)
Other	*23*	**(6,721,000)**	-
Finance costs		**13,352,589**	146,977
Unrealized gain on marketable securities		**(2,643,935)**	(315,503)
Unrealized loss on derivative instruments	*12*	**22,238,714**	11,357,809
Amortization		**117,384**	98,729
Unrealized foreign exchange (gain) loss, net		**(2,644,864)**	(4,802,946)
		75,268,951	(5,027,962)
Working capital adjustments:			
(Increase) decrease in GST and other receivables		**2,122,811**	(2,116,103)
(Increase) decrease in inventory		**(4,230,651)**	-
(Increase) decrease in marketable securities		**(858,482)**	(252,480)
(Increase) decrease in prepaid expenses and deposits		**(1,458,730)**	130,330
Increase (decrease) in accounts payables and accrued liabilities		**41,254,262**	1,931,188
		36,829,210	(307,065)
Net cash flows from (used in) operating activities		**112,098,161**	(5,335,027)
Investing activities			
Sale of mineral property interest		**-**	19,600,000
Exploration and evaluation assets	*7*	**(5,682,619)**	(2,714,396)
Related party loan	*17*	**1,350,950**	-
Restricted cash		**8,446,958**	3,664,951
Purchase of property, plant and equipment		**(74,653,690)**	(194,486,915)
Cash received from prior period sale	*23*	**6,721,000**	-
Net cash flows used in investing activities		**(63,817,401)**	(173,936,360)
Financing activities			
Shares issued for cash, net of issuance cost	*15*	**31,540,613**	32,972,991
Exercise of options		**5,886,253**	431,747
Interest paid		**(12,015,295)**	(2,449,070)
Credit Facility, net of deferred finance fees	*11*	**6,831,561**	158,168,433
Principal repayment of long-term debt	*11*	**(39,808,740)**	(4,693,426)
Principal repayment of lease liability		**(731,905)**	(466,890)
Net cash flows from (used in) financing activities		**(8,297,513)**	183,963,785
Foreign exchange gain (loss) on cash balances		**(729,062)**	(133,064)
Net increase in cash and cash equivalents		**39,254,185**	4,559,334
Cash and cash equivalents, beginning of the year		**16,882,129**	12,322,795
Cash and cash equivalents, end of the year		**$ 56,136,314**	$ 16,882,129

See accompanying notes to the consolidated financial statements. Supplementary Cash Flow information is provided in Note 22.

1. NATURE OF OPERATIONS AND GOING CONCERN

Victoria Gold Corp. (“Victoria” or “the Company”), a British Columbia company, was incorporated in accordance with the Business Corporations Act (British Columbia) on September 21, 1981. The Company’s common shares were listed on the TSX Venture Exchange (TSXV) throughout 2019. On February 18, 2020, the Company announced that it had received final approval from the Toronto Stock Exchange (TSX) for the graduation of its listing from the TSXV to the TSX. The common shares of the Company began trading on the TSX, under the new symbol “VGCX” on February 19, 2020.

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

Change in year-end
During the ten month period ended December 31, 2019, the Company changed its fiscal year end to December 31, from February 28. The Company’s transition period is the ten months ended December 31, 2019. The new financial year will align the Company with its peer group in the mineral resources sector and facilitate marketplace assessment of the Company’s business performance.

These audited consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company’s future is currently dependent upon the existence of economically recoverable mineral reserves and its ability to successfully extract these reserves.

The Company periodically seeks financing for mine operations, exploration and/or development of its properties and/or to meet its future administrative requirements. The Company had a working capital surplus of $25.4 million at December 31, 2020 and will need to raise additional financing or generate sufficient positive cash flows from operations to ensure debt service and repayment terms are met. Although the Company has been successful in raising funds to date, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern and therefore these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

At December 31, 2020, the Company had a working capital surplus of $25.4 million (compared with a deficit of $54.7 million at December 31, 2019), an accumulated deficit of $51.0 million ($66.4 million at December 31, 2019) and reported net income of $14.9 million for the year ended December 31, 2020 (net loss of $9.8 million at December 31, 2019). At December 31, 2020, the Company had cash flows from operating activities of $112.1 million (used in operating activities of $5.3 million at December 31, 2019), cash flows used in investing activities of $63.8 million ($173.9 million at December 31, 2019) and cash flows used in financing activities of $8.3 million (from financing activities of $184.0 million at December 31, 2019). The Company has undrawn debt facilities of $25.1 million with $55.0 million coming due for repayment within twelve months of December 31, 2020.

2. BASIS OF PRESENTATION

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

During the year ended December 31, 2020, the Company dissolved its subsidiary Victoria Resources (U.S.) Inc., (a Nevada corporation).

During the year ended December 31, 2020, the Company sold its Gateway Gold Corp., (a British Columbia corporation) and Gateway Gold (USA) Corp., (a Nevada corporation) subsidiaries (together referred to as “Gateway”) as per the transaction details within *Note 7.*

These financial statements were approved by the Board of Directors for issue on March 23, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

(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) Current and deferred income taxes

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

Property, plant 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 statements of income (loss) and comprehensive income (loss). Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company provides for amortization of its PPE at the following annual rates:

Field and Automotive equipment	- straight line over the useful life (ranging five to twelve years)
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	- straight line over the useful life (ranging three to four years)

Assets under construction are capitalized as a separate component of property, plant 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.

Borrowing costs
Interest and financing costs on debt or other liabilities that are directly attributed to the acquisition, construction and development of a qualifying asset are capitalized to the asset. All other borrowing costs are expensed as incurred.

(Expressed in Canadian Dollars)

(g) Exploration and evaluation assets

Exploration and evaluation assets 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 expensed in the loss for 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 properties within PPE.

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

(h) 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.

(i) 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 of disposal 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, assets are grouped at the lowest levels for which they are separately identifiable cash flows. 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 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 income.

(j) 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 income (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 (loss) and as a separate component of equity.

(k) 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.

(l) Restricted cash

Restricted cash includes reclamation bonds held by the Government of Yukon and the Nevada Bureau of Land Management in the United States. The cash will be returned to the Company upon successful completion of reclamation at the Company's properties Yukon, Canada and in Nevada, USA.

(m) 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.

(n) Interest income

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

(o) 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.

(p) Right-of-use asset and Lease liabilities

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use) with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets. For short-term leases and leases of low-value assets, the Company recognizes the lease payments as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, each operation’s applicable incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments, including in-substance fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for PPE, from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

On the consolidated statements of financial position, the Company presents right-of-use assets in the PPE line item and lease liabilities in the lease liability line item.

(q) 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 development, exploration and evaluation 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.

(r) Financial Instruments

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.

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 (loss). Changes in fair values of FVTPL assets are recorded in the consolidated statements of income (loss) and comprehensive income (loss) 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, due from related parties, other receivables 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. 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

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 statements of income (loss) and comprehensive income (loss) in the period in which they arise.

(s) Derivatives

The Company uses derivative financial instruments 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.

(t) Changes in accounting policies

The Company has adopted the following new and revised standards during the 2020 period. These changes were made in accordance with the applicable transitional provisions.

i) Inventory

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

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

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

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

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

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

ii) Commercial production

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

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

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

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

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

iii) Revenue recognition

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

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

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

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

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

iv) Mineral properties

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

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

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

v) Accounting Pronouncements

New accounting standards, amendments and interpretations not yet adopted

In August 2020, the International Accounting Standards Board published an amendment for *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16)*, with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The Company believes that this amendment is not expected to have a material impact on the Company's consolidated financial statements.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements of the Company.

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:

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

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

Asset Retirement Obligation (ARO)
The determination of provisions for environmental rehabilitation and reclamation obligations arising from the Company's evaluation and exploration activities requires the use of estimates and management judgment. Future reclamation costs in relation to changes in estimates are accrued based on management's best estimate at the end of each period of the discounted cash costs expected to be incurred. Accounting for reclamation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation work required to comply with existing laws and regulations. These estimates are dependent upon labor and materials costs, known environmental impacts, the effectiveness of rehabilitation measures, inflation rates, and pre-tax interest rates that reflect a current market assessment of time value for money and the risk specific to the obligation. The Company also estimates the timing of the outlays, which is subject to change depending on continued exploitation and newly discovered mineral resources.

Actual reclamation costs incurred may differ from those amounts estimated by management. Moreover, future changes to environmental laws and regulations could increase the extent of reclamation work required to be performed by the Company, therefore increasing future costs.

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

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

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

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

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

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

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.

Impairment of non-financial assets
Determining whether facts and circumstances indicate that the Company's assets may be impaired and require the recognition of an impairment loss, or conversely whether a reversal of an impairment loss recognized in a prior period may be required, is a subjective process involving judgment and a number of estimates and interpretations.

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 of disposal.

In testing an individual asset or CGU for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the CGU. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change as new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ from amounts recognized in the Company's financial statements, and significant adjustments to the carrying values of the Company's assets and reported earnings may occur during subsequent accounting periods.

Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market value of the Company's share price; (ii) changes in quantity of the recoverable resources and reserves; (iii) changes in metal prices, capital and operating costs; and (iv) changes in interest rates, are evaluated by management in determining whether there are any indicators of impairment.

No impairment indicators of non-financial assets have been noted for the year ended December 31, 2020 and the ten month period ended December 31, 2019.

Income taxes and recovery of deferred tax assets
The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on income in the period that the changes occur.

(Expressed in Canadian Dollars)

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, market prices, production costs, quantities of proven and probable reserves, and interest rates.

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.

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 income (loss) and comprehensive income (loss) based on estimates of forfeiture, stock price volatility and expected lives of the underlying stock options.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events which will be confirmed by the occurrence or non-occurrence of future events. These contingencies are not recognized in the consolidated financial statements when the obligation is not probable or if the obligation cannot be measured reliably. The Company exercises significant judgment when determining the probability of the future outcome and with regard to any required disclosure of contingencies, and measuring the liability is a significant estimate.

5. GST AND OTHER RECEIVABLES

GST and other receivables includes the following components:

	December 31, 2020	December 31, 2019
GST receivable	**$ 3,123,021**	$ 1,539,807
Trade and other receivables	**27,482**	3,731,396
Total	**$ 3,150,503**	$ 5,271,203

(Expressed in Canadian Dollars)

6. INVENTORY

Inventory includes the following components:

	December 31, 2020	December 31, 2019
Stockpiled ore	**$ 1,543,486**	$ -
In-process inventory	**68,987,297**	-
Finished goods inventory	**7,211,775**	-
Total mineral inventory	**77,742,558**	-
Materials and supplies	**8,955,040**	-
Total	**$ 86,697,598**	$ -

As at December 31, 2020, $16.8 million (December 31, 2019 – $nil) of non-cash costs such as depreciation, depletion and site share-based compensation were included in inventory.

7. EXPLORATION AND EVALUATION ASSETS

	Santa Fe (Nevada)	Other property interest (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance December 31, 2019	$ 6,585,828	$ -	$ 24,642,125	$ 1,681,929	$ 32,909,882
Sale of property interest	(7,028,892)	-	-	(172,500)	(7,201,392)
Salaries and benefits	75,026	-	828,518	-	903,544
Amortization	-	-	-	-	-
Consulting and administration	107,115	-	-	-	107,115
Land claims and royalties	68,681	-	15,000	57,500	141,181
Environmental and permitting	15,264	-	-	-	15,264
Government and community relations	-	-	22,800	-	22,800
Drilling and indirects	-	-	1,339,306	-	1,339,306
Other exploration	-	-	2,192,334	-	2,192,334
Exploration and evaluation costs for the year	266,086	-	4,397,958	57,500	4,721,544
Interest in other properties	-	10,419,030	-	-	10,419,030
Currency translation	176,978	-	-	-	176,978
Balance December 31, 2020	$ -	$ 10,419,030	$ 29,040,083	$ 1,566,929	$ 41,026,042

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

During the year ended December 31, 2020, the Company entered into a transaction with a third-party company, Lahontan Gold Corp. ("Lahonton") under which it agreed to sell its existing subsidiary company, Gateway Gold Corp. which also included Gateway Gold (USA) Corp. which in turn held 100% of the Company's interest in the Santa Fe property. As a result of this transaction, Victoria Gold received consideration of shares in Lahontan which provide it with a controlling ownership position of 66% of Lahontan. The main asset of Lahontan is the Santa Fe property. Consideration for this transaction approximated its book value and as a result, no gain or loss was recognized.

(Expressed in Canadian Dollars)

As of December 31, 2020, restricted cash consists of $2.8 million for Dublin Gulch (December 31, 2019 - $4.4 million), $0.3 million relating to interest in other properties, primarily Santa Fe (December 31, 2019 - $0.4 million) and $nil for the CAT financial lease facility (December 31, 2019 - $6.5 million). 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 $30.8 million surety bond related to the reclamation performance bond.

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 28, 2019	$ 6,987,892	$ 21,766,656	$ 1,709,429	$ 30,463,977
Sale of property interest	(465,716)	-	(52,500)	(518,216)
Salaries and benefits	45,270	669,818	-	715,088
Amortization	-	-	-	-
Consulting and administration	10,590	457,347	-	467,937
Land claims and royalties	67,537	1,890	25,000	94,427
Environmental and permitting	25,650	85,404	-	111,054
Government and community relations	-	47,141	-	47,141
Drilling and indirects	-	396,743	-	396,743
Other exploration	-	1,217,126	-	1,217,126
Exploration and evaluation costs for the period	149,047	2,875,469	25,000	3,049,516
Currency translation	(85,395)	-	-	(85,395)
Balance December 31, 2019	$ 6,585,828	$ 24,642,125	$ 1,681,929	$ 32,909,882

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

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Other assets	Right-of-use assets	Leasehold improvements	Buildings & structures	Equipment	Mineral Properties	Total
Cost							
March 1, 2019	$1,067,987	$ -	$ 146,532	$ 16,380,856	$ 8,129,158	$ 438,359,280	$464,083,813
IFRS 16 transition March 1, 2019	-	1,896,769	-	-	-	-	1,896,769
Sale of property interest	-	-	-	-	-	(19,600,000)	(19,600,000)
Net Capitalized Gold Sales	-	-	-	-	-	(30,075,964)	(30,075,964)
Reallocation of construction costs	-	-	-	219,493,112	73,811,404	(293,304,516)	-
Additions	147,696	-	442,617	391,411	46,406,402	171,086,417	218,474,543
December 31, 2019	1,215,683	1,896,769	589,149	236,265,379	128,346,964	266,465,217	634,779,161
Reallocation of inventory costs *(Note 6)*	**-**	**-**	**-**	**-**	**-**	**(82,466,947)**	**(82,466,947)**
Net Capitalized Gold Sales	**-**	**-**	**-**	**-**	**-**	**(70,225,189)**	**(70,225,189)**
Additions	**204,075**	**1,457,331**	**-**	**10,726,567**	**15,142,873**	**134,218,577**	**161,749,423**
Disposals	**(52,384)**	**-**	**-**	**-**	**-**	**-**	**(52,384)**
December 31, 2020	**$1,367,374**	**$ 3,354,100**	**$ 589,149**	**$ 246,991,946**	**$ 143,489,837**	**$ 247,991,658**	**$643,784,064**
Accumulated amortization							
March 1, 2019	$ 830,916	$ -	$ 35,854	$ 5,544,111	$ 1,224,357	$ -	$ 7,635,238
Charge	84,701	518,489	93,340	4,156,508	5,379,625	-	10,232,663
December 31, 2019	915,617	518,489	129,194	9,700,619	6,603,982	-	17,867,901
Charge	**115,623**	**886,275**	**156,269**	**20,361,329**	**17,028,082**	**7,803,920**	**46,351,498**
Disposals	**(52,384)**	**-**	**-**	**-**	**-**	**-**	**(52,384)**
December 31, 2020	**$ 978,856**	**$ 1,404,764**	**$ 285,463**	**$ 30,061,948**	**$ 23,632,064**	**$ 7,803,920**	**$ 64,167,015**
Net book value							
March 1, 2019	$ 237,071	$ -	$ 110,678	$ 10,836,745	$ 6,904,801	$ 438,359,280	$456,448,575
December 31, 2019	$ 300,066	$ 1,378,280	$ 459,955	$ 226,564,760	$ 121,742,982	$ 266,465,217	$616,911,260
December 31, 2020	**$ 388,518**	**$ 1,949,336**	**$ 303,686**	**$ 216,929,998**	**$ 119,857,773**	**$ 240,187,738**	**$579,617,049**

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

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

The carrying value of equipment pledged as security for the related Equipment Financing Facility at December 31, 2020 was $44.6 million ($55.7 million – December 31, 2019) (*Note 11*).

Certain of the Company's mining properties are subject to royalty arrangements based on their net smelter returns ("NSR"s). At December 31, 2020, the Company's royalty arrangements based on production were as follows:

(Expressed in Canadian Dollars)

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

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the following components:

	December 31, 2020	**December 31, 2019**
Trade payables	**$ 21,049,863**	$ 9,686,931
Accrued liabilities	**27,485,205**	14,585,250
Payroll related liabilities	**3,522,094**	2,336,911
Total	**$ 52,057,162**	$ 26,609,092

10. LEASE LIABILITY

	Total
As at December 31, 2019	$ 1,407,972
Additions	1,457,331
Interest expense	207,179
Lease payments	(939,084)
Lease liabilities at December 31, 2020	$ 2,133,398
Current lease liability	751,785
Non-current lease liability	1,381,613

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

	December 31, 2020	**December 31, 2019**
MATURITY ANALYSIS		
< 1 year	**$ 751,785**	$ 592,396
1 to 3 years	**359,302**	566,214
3 to 5 years	**1,017,439**	204,542
> 5 years	**4,872**	44,820
Total	**$ 2,133,398**	$ 1,407,972

(Expressed in Canadian Dollars)

11. DEBT

On December 18, 2020 the Company announced it had entered into a credit agreement with a syndicate of banks, comprised of Bank of Montreal, CIBC and BNP Paribas, in connection with a secured US$200 million debt facility (the "Loan Facility"). The Loan Facility is comprised of a US$100 million term loan (the "Term Facility") and a US$100 million revolving facility (the "Revolving Credit Facility").

The funding from the Loan Facility was used to repay the previously outstanding project finance facility, which included senior and subordinated debt that was used for the construction of the Eagle Gold Mine. The Revolving Credit Facility is available for general corporate purposes subject to customary terms and conditions.

The Loan Facility is available by way of US dollar LIBOR loans, with an interest rate ranging from 3.00% to 4.00% over LIBOR (currently one month LIBOR is approximately 0.15%), based on the Company's leverage ratio and other customary terms and conditions.

The Loan Facility includes certain covenants that are calculated and reported each fiscal quarter, which commenced on December 31, 2020. As at December 31, 2020, the Company is in compliance with all covenants.

Loan Facilities

Term Facility

US$100 million loan facility with the following commercial terms:

- Interest rate of LIBOR plus 3.25%;
- Principal and interest are repayable in 12 equal quarterly installments starting on March 31, 2021.

As at December 31, 2020, principal of US$100 million was outstanding on the Term Facility. Deferred financing charges in the amount of $2.6 million will be amortized over the term using the effective interest rate method.

Revolving Credit Facility

US$100 million loan facility with the following commercial terms:

- Interest rate of LIBOR plus 3.25%;
- Accrued interest is repayable quarterly starting on March 31, 2021;
- Principal and accrued interest are due at maturity, on December 31, 2023, and may be repaid early without penalty.

As at December 31, 2020, principal of US$74.9 million was outstanding on the Revolving Credit Facility. Deferred financing charges in the amount of $2.6 million will be amortized using the full amount of the facility, including any undrawn amount, over the full term of the facility using the effective interest rate method.

Equipment Finance Facility

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

- Available for drawdown against the acquisition cost of Cat mining equipment;
- Interest rate of 3-month LIBOR (minimum LIBOR set at 1.0%) plus 4.25%;
- 4-6 year, amortizing facility, maturing between November 29, 2022 and July 1, 2025 (the "Term");
- Secured by Cat mining equipment.

As at December 31, 2020, principal of US$38.2 million was outstanding on the Equipment Finance Facility. Deferred financing charges in the amount of $2.7 million will be amortized over the Term using the effective interest rate method.

(Expressed in Canadian Dollars)

	December 31, 2020	December 31, 2019
Senior Secured Debt Facility, principal	**$ -**	$ 132,625,637
Senior Secured Debt Facility, interest	**-**	850,691
Senior Secured Debt Facility, ending balance	**$ -**	$ 133,476,328
Subordinated Loan Facility, principal	**$ -**	$ 105,538,626
Subordinated Loan Facility, interest	**-**	848,412
Subordinated Loan Facility, ending balance	**$ -**	$ 106,387,038
Equipment Finance Facility, principal	**$ 47,477,488**	$ 48,951,103
Equipment Finance Facility, interest	**638,859**	810,917
Equipment Finance Facility, ending balance	**$ 48,116,347**	$ 49,762,020
Term Debt Facility, principal	**$ 124,143,234**	$ -
Term Debt Facility, interest	**172,734**	-
Term Debt Facility, ending balance	**$ 124,315,968**	$ -
Revolver Facility, principal	**$ 92,146,833**	$ -
Revolver Facility, interest	**129,325**	-
Revolver Facility, ending balance	**$ 92,276,158**	$ -
Total Debt	**$ 264,708,473**	$ 289,625,386
Less: Current portion	**(55,048,331)**	(50,277,982)
Long-term Debt	**$ 209,660,142**	$ 239,347,404

During the period ended December 31, 2020 the Company incurred interest expense of $9.9 million (December 31, 2019 - $nil) and amortized deferred financing charges of $2.9 million (December 31, 2019 - $nil) in the consolidated statements of income (loss) and comprehensive income (loss). Prior to declaring commercial production on July 1, 2020, interest expense of $11.1 million (December 31, 2019 - $16.9 million) and amortization of deferred financing charges of $0.7 million (December 31, 2019 - $1.1 million) on the Company's debt facilities were capitalized to mineral properties (*Note 8*).

The Equipment Finance Facility with CAT is secured by leased equipment with a carrying value of $44.6 million as of December 31, 2020 ($55.7 million – December 31, 2019).

The Company's scheduled debt principal repayments as at December 31, 2020 are summarized in the table, below:

	2021	2022	2023	2024	2025 and thereafter	Total
Term Debt Facility	42,440,000	42,440,000	42,440,000	-	-	$ 127,320,000
Revolving Loan Facility	-	-	95,323,599	-	-	95,323,599
Equipment Finance Facility	11,804,499	14,140,268	14,298,053	13,113,752	-	53,356,572
	$54,244,499	$56,580,268	$152,061,652	$13,113,752	$ -	$ 276,000,171

(Expressed in Canadian Dollars)

12. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Instruments outstanding	Quantity outstanding	Remaining term	Exercise price		Fair value - asset (liability)[1] (C$)
Gold put options					
Gold put options - purchased	60,000 oz	January 2021 - December 2021	US$1,700	$	2,106,089
Zero-cost collars					
Gold call options - sold	45,000 oz	January 2021 - December 2021	C$1,936		(21,854,347)
Gold put options - purchased	45,000 oz	January 2021 - December 2021	C$1,500		11,624
				$	(19,736,634)
Gold call options - sold	15,000 oz	Friday, December 31, 2021	C$1,936		(7,625,614)
Gold put options - purchased	15,000 oz	Friday, December 31, 2021	C$1,500		30,803
				$	(27,331,445)
Gold call options					
Gold call options - sold	20,000 oz	April 13, 2023	US$1,485		(12,041,058)
Warrants					
Warrants	1,666,667	April 13, 2023	C$9.375		(8,858,502)
				$	(48,231,005)

1. The Company presents the fair value of put and call options on a net basis on the consolidated statements of financial position. The Company has a legally enforceable right to offset the amounts under its option contracts and intends to settle on a net basis.

Gold Put Options

In November 2020, the Company purchased gold put options on 60,000 ounces of gold at a price of US$1,700 per ounce with monthly expiry dates of January 31 through December 31, 2021. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the consolidated financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The Company recognized the mark-to-market adjustment loss of $1.0 million, based on US$1,898 per ounce of gold and a foreign exchange rate of 1.2732 US$ to C$, in net income (loss) of the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2020.

Zero Cost Collars

In May 2018, the Company entered into gold price zero cost collars using option contracts that the Company has elected not to designate as cash flow hedges for hedge accounting under IFRS 9. The purchase of gold put options was financed through selling gold call options at a higher level such that the net premium payable by the Company at the time of entering into the contracts was $nil. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the consolidated financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The Company recognized the mark-to-market adjustment loss of $33.5 million, based on US$1,898 per ounce of gold and a foreign exchange rate of 1.2732 US$ to C$, in net income (loss) of the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2020.

Gold Call Options

On April 13, 2018, the Company sold a gold call option on 20,000 ounces of gold at a price of US$1,485 per ounce, with an expiry date of April 13, 2023. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the consolidated financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at December 31, 2020 the gold call option fair value was $12.0 million, based on US$1,898 per ounce of gold and a foreign exchange rate of 1.2732 US$ to C$. The Company recognized the mark-to-market adjustment loss of $6.3 million in net income (loss) of the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2020.

Warrants

On April 13, 2018, the Company granted 1,666,667 warrants with a strike price of $9.375 and a term of five years. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the consolidated financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using Black-Scholes option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at December 31, 2020, the warrant fair value was $8.9 million based on the December 31, 2020 closing share price of $12.19. The Company recognized the mark-to-market adjustment loss of $4.0 million in net income (loss) of the consolidated statements of income (loss) and comprehensive income (loss) for the year ended December 31, 2020.

13. ASSET RETIREMENT OBLIGATIONS

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and measured with the most reliable information available. Management's estimate is determined based on the net present value of estimated future cash expenditures for reclamation and closure activities. Reclamation and closure costs are capitalized into exploration and evaluation assets depending on the nature of the asset related to the obligation and amortized over the life of the related asset. Future changes to those regulations and standards, as well as changes resulting from operations, may result in actual reclamation costs differing from the estimate. Details of the Company's reclamation performance obligations can be found within *Note 7.*

The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with the Dublin Gulch property. The Company prepared the Dublin Gulch reclamation obligation using prescribed third-party contractor rates with a 10% contingency. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the reporting date use the following assumptions:

a) total undiscounted amount of inflation adjusted future reclamation costs at December 31, 2020 was determined to be $32.1 million for Dublin Gulch (December 31, 2019 - $31.0 million) and $0.4 million for its interest in other properties, primarily Santa Fe (December 31, 2019 - $0.4 million);
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 2034 for Dublin Gulch.

(Expressed in Canadian Dollars)

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

	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Balance, beginning of the year	**$ 25,351,318**	$ 8,405,028
Accretion on reclamation provision	**347,064**	146,977
Currency translation	**(362,005)**	(6,618)
ARO change due to increased footprint	**2,519,265**	16,805,931
	$ 27,855,642	$ 25,351,318
Interest in other properties	**357,674**	
Balance, end of the year	**$ 28,213,316**	$ 25,351,318

14. EARNINGS (LOSS) PER SHARE

(a) Basic

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

	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Net income (loss)	**$ 14,891,909**	$ (9,835,212)
Weighted average number of common shares issued	**60,480,204**	56,719,796
Basic earnings (loss) per share	**$ 0.246**	$ (0.173)

(b) Diluted

	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Net income (loss) attributable to common shareholders	**$ 14,891,909**	$ (9,835,212)
Weighted average number of common shares issued	**60,480,204**	56,719,796
Adjustment for:		
Warrants	**1,666,667**	-
Stock options	**2,147,996**	-
Weighted average number of ordinary shares for diluted earnings per share	**64,294,867**	56,719,796
Diluted earnings (loss) per share	**$ 0.232**	$ (0.173)

(Expressed in Canadian Dollars)

15. SHARE CAPITAL AND OTHER EQUITY

Authorized, issued and outstanding common shares

Common shares, no par value, authorized unlimited number of shares, issued and outstanding were 62,117,040 and 57,278,629 shares as at December 31, 2020 and December 31, 2019, respectively.

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

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

On April 2, 2019, the Company closed a private placement financing of 2,272,727 common shares of the Corporation at a price of $6.60 per share for gross proceeds of $15,000,000. The Company also closed an over allotment brokered prospectus financing on April 5, 2019 of 668,046 common shares of the Corporation at a price of $6.60 per share for gross proceeds of $4,409,106. The Company also closed a brokered flow-through financing of 1,887,333 common shares of the Corporation that qualifies as "Canadian development expenses (CDE) flow through shares" at a price of $7.95 per share for gross proceeds of $15,004,300. Finders' fees of 5%, other than certain insider orders which were at 1.25%, and other issuance costs were paid in connection with this transaction. The shares were subject to a four-month hold period.

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

Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. At December 31, 2020, 3,991,042 (3,311,196 as at December 31, 2019) additional stock options were available for grant under the Company's stock option plan.

A summary of the status of the Plan as at December 31, 2020 and as at December 31, 2019, and changes during the periods ended on those dates is presented below:

	December 31, 2020			December 31, 2019		
	Number of stock options	Weighted average exercise price	Fair Value Assigned	Number of stock options	Weighted average exercise price	Fair Value Assigned
Outstanding, beginning of the year	**2,364,334**	**$ 6.86**	**$6,087,224**	2,002,000	$ 6.67	$5,270,008
Granted	**847,000**	**$ 12.10**	**3,786,683**	474,000	$ 8.05	1,327,626
Exercised	**(1,029,339)**	**$ 5.72**	**(2,829,579)**	(52,333)	$ 8.25	(233,458)
Expired	**(29,999)**	**$ 7.50**	**(149,947)**	(50,000)	$ 9.06	(263,316)
Forfeited	**(4,000)**	**$ 7.50**	**(5,844)**	(9,333)	$ 7.50	(13,636)
Outstanding, end of the year	**2,147,996**	**$ 9.43**	**$6,888,537**	2,364,334	$ 6.86	$6,087,224

(Expressed in Canadian Dollars)

As at December 31, 2020, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding as follows:

Date of grant	Number of options outstanding	Number of options exercisable		Exercise price	Expiry date
May 28, 2018	281,999	281,999	$	7.50	May 28, 2021
August 15, 2018	208,664	208,664	$	7.50	August 15, 2021
January 25, 2019	369,333	369,333	$	7.50	January 25, 2022
December 9, 2019	441,000	441,000	$	8.05	December 9, 2022
December 14, 2020	847,000	211,750	$	12.10	December 14, 2023
	2,147,996	1,512,746			

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

On December 14, 2020, the Company granted 847,000 incentive stock options with an exercise price of $12.10 per option to directors, officers and employees of the Company. The stock options have a term of three years and expire on December 14, 2023. The fair value of these options, totalling $3,786,683, will be recognized (expensed) over the vesting period of one year, of which $1,121,730 (expensed) has been recognized as at December 31, 2020. The fair value of these options was calculated based on a risk-free annual interest rate of 0.3%, an expected life of 3.0 years, an expected volatility of 55% and a dividend yield rate of nil. This results in an estimated fair value of $4.47 per option at the grant date using the Black-Scholes option-pricing model.

On January 25, 2019, the Company granted 429,333 incentive stock options with an exercise price of $7.50 per option to directors, officers and employees of the Company. The stock options have a term of three years and expire on January 25, 2022. The fair value of these options, totalling $1,246,140 ($832,142 expensed and $413,998 capitalized to property, plant and equipment) has been fully recognized as at December 31, 2020. The fair value of these options was calculated based on a risk-free annual interest rate of 1.9%, an expected life of 3.0 years, an expected volatility of 61% and a dividend yield rate of nil. This results in an estimated fair value of $2.90 per option at the grant date using the Black-Scholes option-pricing model.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the above assumptions and a forfeiture rate of 9.4%.

Warrants

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

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

(Expressed in Canadian Dollars)

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

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

These April 13, 2023 warrants are considered financial instruments at FVTPL. The holder of the warrants may exercise the warrants for the Company's common shares. However, if the exercise would result in the holder's total share ownership exceeding 19.99% of the total number of the Company's common shares then issued and outstanding the Company would have to pay the value of the warrant. As a result, the warrants have been classified as a financial liability instrument and are recorded at fair value at each reporting period end using a Black-Scholes model. Warrant pricing models require the input of certain assumptions including price volatility and expected life. Changes in these assumptions could affect the reported fair value of the warrants (*Note 12*).

17. RELATED PARTIES

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

Transactions as of December 31, 2020 and during the year ended December 31, 2020 with Orion are included in *Note 11.*

The remuneration of directors and key management of the Company for the year ended December 31, 2020 and the ten month period ended December 31, 2019 was as follows:

	December 31, 2020	December 31, 2019
Salaries and other short term employment benefits	**$ 3,139,640**	$ 1,754,600
Share-based compensation	**$ 1,164,519**	$ 2,165,010

The Company granted unsecured loans in May 2018 which were subsequently amended, to directors and officers of the Company at interest rates of 2% per annum and were paid in full by December 31, 2020.

	December 31, 2020	December 31, 2019
Outstanding, beginning of the year	**$ 1,389,435**	$ 1,366,948
Loan repayments received	**(1,350,950)**	-
Interest charged	**24,408**	22,487
Interest received	**(62,893)**	-
Outstanding, end of the year	**$ -**	$ 1,389,435

(Expressed in Canadian Dollars)

18. COST OF GOODS SOLD

Cost of goods sold include the following components:

	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Operating costs:		
Mining	**$ 31,727,221**	$ -
Processing	**39,585,226**	-
Site services	**7,790,863**	
Site general and administration costs	**12,655,983**	-
Royalty	**1,998,794**	-
Production costs	**93,758,087**	-
Change in inventory	**(18,453,759)**	-
Total	**$ 75,304,328**	$ -

19. CORPORATE GENERAL AND ADMINISTRATION

Corporate general and administration costs include the following components:

	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Salaries and benefits	**$ 3,311,185**	$ 3,273,291
Office and administrative	**1,259,733**	1,298,059
Share-based payments (*Note 16*)	**2,251,423**	1,499,102
Marketing	**860,373**	1,019,226
Professional fees	**1,589,539**	633,280
Amortization	**117,384**	98,729
Total	**$ 9,389,637**	$ 7,821,687

(Expressed in Canadian Dollars)

20. FINANCE COSTS

Finance costs include the following components:

	Twelve month year ended December 31, 2020	Ten month period ended December 31, 2019
Interest on debt facilities (*Note 11*)	**$ 9,872,958**	$ -
Amortization of deferred financing charges (*Note 11*)	**2,919,341**	-
Interest and bank charges	**32,909**	9,228
Interest expense on leases (*Note 10*)	**207,179**	123,969
Accretion on reclamation provision	**347,064**	146,977
Total	**$ 13,379,451**	$ 280,174

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

21. SEGMENTED INFORMATION

The Company reports separately three operating segments, corporate segment and mineral exploration and development in two geographical segments, Canada and the United States. A breakdown of mineral properties by geographic expenditures is disclosed in *Note 7.*

	Canada	USA	Corporate	Total
Twelve month year ended December 31, 2020				
Revenue	**$ 178,747,827**	**$ -**	**$ -**	**$ 178,747,827**
Cost of goods sold	**75,304,328**	**-**	**-**	**75,304,328**
Depreciation and depletion	**27,128,291**	**-**	**-**	**27,128,291**
Gross profit	**76,315,208**	**-**	**-**	**76,315,208**
Corporate general & administration	**1,308,824**	**1,570,717**	**6,510,096**	**9,389,637**
Operating earnings (loss)	**$ 75,006,384**	**$ (1,570,717)**	**$ (6,510,096)**	**$ 66,925,571**
December 31, 2020				
Property, plant and equipment	**$ 579,364,869**	**$ -**	**$ 252,180**	**$ 579,617,049**
Exploration and evaluation assets	**$ 30,607,012**	**$ 10,419,030**	**$ -**	**$ 41,026,042**
Total assets	**$ 713,989,141**	**$ 5,884,529**	**$ 56,886,947**	**$ 776,760,617**

	Canada	USA	Corporate	Total
Ten month period ended December 31, 2019				
Revenue	$ -	$ -	$ -	$ -
Cost of goods sold	-	-	-	-
Depreciation and depletion	-	-	-	-
Gross profit	-	-	-	-
Corporate general & administration	1,293,304	-	6,528,383	7,821,687
Operating earnings (loss)	$ (1,293,304)	$ -	$ (6,528,383)	$ (7,821,687)
December 31, 2019				
Property, plant and equipment	$ 616,541,696	$ -	$ 369,564	$ 616,911,260
Exploration and evaluation assets	$ 26,324,054	$ 6,585,828	$ -	$ 32,909,882
Total assets	$ 660,520,955	$ 6,985,835	$ 19,108,941	$ 686,615,731

(Expressed in Canadian Dollars)

22. SUPPLEMENTARY CASH FLOW INFORMATION

		December 31, 2020		December 31, 2019
Non-cash investing and financing activities:				
Accounts payable and accrued liabilities relating to property, plant and equipment and exploration and evaluation asset expenditures	**$**	**5,280,108**	$	22,228,487
Stock-based compensation, capitalized to property, plant and equipment	**$**	**15,011**	$	778,285
Income taxes paid	**$**	**837,102**	$	-
Interest paid	**$**	**12,015,295**	$	2,449,070

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

		Long term debt (*Note 11*)		Deferred finance charges		Lease liability (*Note 10*)		Total
Balance January 1, 2020	$	289,625,386	$	-	$	1,407,972	$	291,033,358
Changes from financing activities:								
Net proceeds from Credit Facility draws		12,549,809		-		-		12,549,809
Principal paid		(39,808,740)		-		(731,905)		(40,540,645)
Interest paid		(11,808,116)		-		(207,179)		(12,015,295)
Transaction cost paid		-		(5,718,248)		-		(5,718,248)
		250,558,339		(5,718,248)		468,888		245,308,979
Non-cash changes:								
Balance January 1, 2020								
Lease additions		-		-		1,457,331		1,457,331
Interest expense		9,763,351		-		207,179		9,970,530
Amortization of deferred financing charges		2,919,341				-		2,919,341
Deferred financing fees attributable to draws		(5,718,248)		5,718,248		-		-
Foreign exchange loss (gain)		(4,653,658)		-		-		(4,653,658)
Capitalized amortization of deferred financing fees		690,027		-		-		690,027
Capitalized interest		11,149,321		-		-		11,149,321
Balance December 31, 2020	$	264,708,473	$	-	$	2,133,398	$	266,841,871

23. OTHER

During the year ended December 31, 2020, the Company received a cash payment from Barrick Gold Corporation in the amount of US$5 million, as a result of the sale of Mill Canyon, which closed on June 1, 2012. The proceeds were received by the Company upon the occurrence of a specified event, which took place during the period.

24. 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 operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to engage in the operation, exploration and evaluation of its mineral 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, 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.

(Expressed in Canadian Dollars)

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 December 31, 2020. The Company is in compliance with all financial covenants attached to its debt facilities as at December 31, 2020.

25. 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 include GST, HST and trade receivables. Restricted cash is comprised of reclamation bonds. Reclamation bonds are supported by 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, receivables and due from related parties. The maximum exposure is limited to amounts of cash and cash equivalents, restricted cash and receivables on the statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet liabilities associated with operations and exploration activities. 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.

Maturities of financial liabilities

The contractual maturities, based on contractual undiscounted cash flows, for the Company's financial liabilities are as follows:

As at December 31, 2020	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Carrying amount
Non-derivatives:						
Accounts payable and accrued liabilites (*Note 9*)	$ 52,057,162	$ -	$ -	$ -	$ 52,057,162	$ 52,057,162
Lease liability (*Note 10*)	751,785	359,302	1,017,439	4,872	2,133,398	2,133,398
Debt (*Note 11*)	55,048,331	208,641,920	13,113,752	-	276,804,003	264,708,473
Total	107,857,278	209,001,222	14,131,191	4,872	330,994,563	318,899,033
Derivatives:						
Derivative instruments (*Note 12*)	19,736,634	7,594,811	20,899,560	-	48,231,005	48,231,005
Total	19,736,634	7,594,811	20,899,560	-	48,231,005	48,231,005

As at December 31, 2019	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total	Carrying amount
Non-derivatives:						
Accounts payable and accrued liabilites	$26,609,092	$ -	$ -	$ -	$26,609,092	$26,609,092
Lease liability	592,396	566,214	204,542	44,820	1,407,972	1,407,972
Debt	50,277,982	93,598,937	162,118,251	-	305,995,170	289,625,386
Total	77,479,470	94,165,151	162,322,793	44,820.29	334,012,234	317,642,450
Derivatives:						
Derivative instruments	2,753,750	12,660,999	10,577,543	-	25,992,292	25,992,292
Total	2,753,750	12,660,999	10,577,543	-	25,992,292	25,992,292

Undiscounted cash flows for loans payable represent total draws received, net of repayments, from the Credit Facilities, capitalized interest to July 1, 2020 and contractual interest payable over future periods based on the LIBOR rate in effect. See *Note 11* for amounts recognized in the consolidated financial statements.

As of December 31, 2020, the Company had a cash balance of $56.1 million (December 31, 2019 - $16.9 million) to settle current accounts payable, accrued liabilities and current portion of long-term debt of $127.6 million (December 31, 2019 - $80.2 million).

The Company historically has generated cash flow primarily from its financing activities, and interest income earned on its cash balances. Since the Company declared commercial production on July 1, 2020, cash inflows have primarily been generated from gold sales. The Company regularly evaluates its overall cash position and forecasted cash flows to ensure preservation and security of capital as well as maintenance of liquidity. Forecasting takes into consideration the Company's debt financing and internal liquidity targets.

(c) Price risk

The Company's financial assets and liabilities are exposed to price risk with respect to commodity prices and prices of the Company's equity investments. The price risk on equity investments is limited due to the nature and low balance of the Company's holdings. Commodity price risk refers to the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company entered into gold zero-cost collars (*Note 12*) under the Company's hedging policy that was adopted by the Board and continues to monitor prices of precious minerals to determine the appropriate course of action to be taken.

(d) Foreign currency risk

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

(e) Interest rate risk

Interest rate risk is the impact that changes in interest rates could have on the Company's investments and liabilities. The Company's cash balances are not subject to significant interest rate risk as balances are current. The Credit Facilities are subject to a variable LIBOR rate. Significant changes in the LIBOR rate could have a significant impact on the Company's loans payable balance in the consolidated statements of financial position and interest expense on debt facilities in the consolidated statements of income (loss) and comprehensive income (loss).

(Expressed in Canadian Dollars)

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 year ended December 31, 2020:

	Carrying Amount	Interest rate change (1)		Foreign currency change (2)	
		+ 1%	- 1%	+ 10%	- 10%
Cash and cash equivalents (Cdn$)					
Cash - Cdn$ denominated	464,085	4,641	(4,641)	-	-
Cash - US$ denominated	41,933,207	419,332	(419,332)	4,193,321	(4,193,321)
Treasury funds – Canadian denominated	13,739,022	137,390	(137,390)	-	-
Total cash and cash equivalents	56,136,314	561,363	(561,363)	4,193,321	(4,193,321)
Reclamation bonds - US$ denominated (interest bearing)	313,542	3,135	(3,135)	31,354	(31,354)
Reclamation bonds - Cdn$ denominated (interest bearing)	2,839,654	28,397	(28,397)	-	-
Total amount or impact - cash and deposits	**59,289,510**	**592,895**	**(592,895)**	**4,224,675**	**(4,224,675)**
Total debt – US$ denominated	**264,708,473**	**(3,403,233)**	**3,403,233**	**(26,470,847)**	**26,470,847**
Total impact – cash, deposits and debt		**(2,810,338)**	**2,810,338**	**(22,246,172)**	**22,246,172**

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. Interest expense on the Company's interest bearing debt is at prevailing rates that fluctuate with changes in banking interest 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, US dollar based certificates of deposit and US dollar debt balances are subject to foreign exchange risk. Management has shown a sensitivity analysis of a plus or minus change of 10%.

(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:

(Expressed in Canadian Dollars)

	Classification	December 31, 2020 Carrying amount	December 31, 2020 Fair value	December 31, 2019 Carrying amount	December 31, 2019 Fair value
Cash and cash equivalents	Level 1	**$ 56,136,314**	**$ 56,136,314**	$ 16,882,129	$ 16,882,129
Restricted cash	Level 1	**3,153,196**	**3,153,196**	11,271,541	11,271,541
Marketable securities	Level 1	**4,373,319**	**4,373,319**	870,902	870,902
Other receivables	Amortized Cost	**3,150,503**	**3,150,503**	5,271,203	5,271,203
Due from related parties	Amortized Cost	**-**	**-**	1,389,435	1,389,435
Accounts payable and accrued liabilities	Amortized Cost	**(52,057,162)**	**(52,057,162)**	(26,609,092)	(26,609,092)
Lease liability	Amortized Cost	**(2,133,398)**	**(2,133,398)**	(1,407,972)	(1,407,972)
Debt	Amortized Cost	**(264,708,473)**	**(264,708,473)**	(289,625,386)	(289,625,386)
Fair value of derivative instruments	Level 2	**48,231,005**	**48,231,005**	25,992,292	25,992,292

The fair value hierarchy has the following levels:

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

(g) Estimation of fair values

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

Restricted cash / Securities in listed entities (financial assets at FVTPL)
Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

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

Derivative instruments
The fair value of these derivatives is determined using a valuation model that incorporates such factors as metal prices, metal price volatility, risk-free interest rate and expiry date.

(Expressed in Canadian Dollars)

26. INCOME TAXES

		Twelve month year ended December 31, 2020		Ten month period ended December 31, 2019
Current income tax:				
Based on taxable income for the period	$	**(1,634,488)**	$	**-**
Prior period (under) over provision		-		**-**
		(1,634,488)		**-**
Deferred income tax:				
Origination/reversal of temporary differences	$	**(5,980,848)**	$	2,876,918
Tax benefit-previously unrecognized tax assets		**-**		300,000
		(5,980,848)		3,176,918
Income tax recovery/(expense)	$	**(7,615,336)**	$	3,176,918

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

		Twelve month year ended December 31, 2020		Ten month period ended December 31, 2019
Net (income) loss before recovery of income taxes	$	**(22,507,245)**	$	13,012,130
Expected income tax (expense) recovery		(5,964,420)		3,448,214
Increase (decrease) resulting from:				
Change in tax benefits not recognized		(11,985,914)		(9,973,870)
Under (over) provided in prior periods		(3,569,104)		305,346
Effect of flow-through renunciation		-		(3,975,000)
Tax effect on sale of resource properties		-		-
Other		(132,490)		(559,025)
Non-deductible (non-taxable) permanent items		14,036,592		7,577,417
Income tax recovery/(expense)	$	**(7,615,336)**	$	(3,176,918)
The Company's income tax is allocated as follows:				
Current tax recovery / (expense)		(1,634,488)		-
Deferred tax recovery / (expense)		(5,980,848)		3,176,918
	$	**(7,615,336)**	$	3,176,918

The December 31, 2020 statutory tax rate of 26.5% did not change from the December 31, 2019 statutory tax rate.

(Expressed in Canadian Dollars)

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

		Twelve month year ended December 31, 2020		Ten month period ended December 31, 2019
Non-capital losses				
Canada	$	**109,688,063**	$	**62,328,063**
U.S.	$	**-**	$	**45,264,830**
Capital loss - Canada	$	**244,191**	$	**9,129,081**
Resource related deductions	$	**337,557**	$	**4,267,317**
Share issue costs	$	**5,955,529**	$	**7,216,713**
Intangible assets	$	**1,736,838**	$	**323,798**
Property plant and equipment	$	**(217,709)**	$	**(321,193)**
Marketable Securities	$	**(2,415,631)**	$	**(6,441)**
Yukon Mining Tax	$	**2,479,737**	$	**-**
Other	$	**-**	$	**358,836**

The Canadian non-capital income tax losses expire from 2026 to 2039; intangible assets, mineral property and exploration expenses, property plant and equipment and marketable securities have no expiry date. Share issue cost is deductible between 2022 to 2024. Capital losses can be carried forward indefinitely but may only be applied against capital gains income.

As a December 31, 2020, $9.4 million (December 31, 2019 - $3.0 million) 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 December 31, 2020 is $nil (December 31, 2019 - $nil).

27. COMMITMENTS AND CONTINGENCIES

A contractor had placed a lien on Victoria Gold (Yukon) Corp. in the amount of approximately $8.2 million before tax in conjunction with certain construction activities. The Company has agreed to approximately $4.2 million, which has been paid. The remaining $4.0 million is in dispute. The Company believes the disputed amount to be without merit.

Subsequent to the year ended December 31, 2020, this lien was satisfactorily settled.