VICTORIA GOLD CORP
TSX | VGCX

Condensed Consolidated Interim Financial Statements

March 31, 2020 and February 28, 2019

(Unaudited)
(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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

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

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

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

(signed) "John McConnell"
Director, President and CEO
May 28, 2020

(signed) "Marty Rendall"
CFO
May 28, 2020

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	**March 31, 2020**	**December 31, 2019**
Assets			
Current assets			
Cash and cash equivalents		$ 22,806,335	$ 16,882,129
Marketable securities and warrants		501,804	870,902
GST and other receivables	*5*	4,203,027	5,271,203
Due from related parties	*16*	1,396,171	1,389,435
Prepaid expenses		692,620	1,109,379
		29,599,957	25,523,048
Non-current assets			
Restricted cash	*6*	13,073,149	11,271,541
Exploration and evaluation assets	*6*	33,891,265	32,909,882
Property, plant and equipment	*7*	637,060,258	616,911,260
Total assets		$ 713,624,629	$ 686,615,731
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	*8*	$ 32,787,558	$ 26,609,092
Income taxes payable		891,835	-
Deferred premium	*14*	74,174	-
Current portion of lease liability	*9*	715,946	592,396
Current portion of derivative instruments	*11*	13,492,880	2,753,750
Current portion of long-term debt	*10*	55,098,465	50,277,982
		103,060,858	80,233,220
Non-current liabilities			
Deferred taxes		4,890,000	3,000,000
Lease liability	*9*	1,847,858	815,576
Derivative instruments	*11*	35,317,909	23,238,542
Long-term debt	*10*	264,256,666	239,347,404
Asset retirement obligations ("ARO")	*12*	28,009,698	25,351,318
Total liabilities		437,382,989	371,986,060
Shareholders' Equity			
Share capital	*14*	369,229,324	359,000,352
Contributed surplus		23,288,515	24,529,288
Accumulated other comprehensive loss		(2,527,600)	(2,517,453)
Accumulated deficit		(113,748,599)	(66,382,516)
Total shareholders' equity		276,241,640	314,629,671
Total liabilities and equity		$ 713,624,629	$ 686,615,731

Nature of operations and going concern *(Note 1)*
Commitments and Contingencies *(Note 17)*

See accompanying notes to the condensed consolidated interim financial statements.

Authorized for issue by the Board of Directors on May 28th, 2020 and signed on its behalf. **"T. Sean Harvey"** Director **"Chris Hill"** Director

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three month period ended March 31, 2020	Three month period ended February 28, 2019
Operating expenses			
Salaries and benefits excluding share-based payments		$ 1,360,826	$ 795,396
Office and administrative		497,521	414,483
Share-based payments	*15*	30,445	379,208
Marketing		193,551	300,667
Legal and accounting		217,640	44,741
Consulting		107,731	39,744
Amortization		29,074	1,674
Foreign exchange (gain) loss		25,203,483	(1,541,129)
Other	*21*	(6,721,000)	-
		20,919,271	434,784
Finance (income) costs			
Unwinding of present value discount: ARO		105,903	23,408
Interest and bank charges		16,324	5,122
Interest income		(92,520)	(252,682)
Change in fair value of marketable securities		369,098	(2,400)
Change in fair value of derivative instruments	*11*	22,818,497	6,867,540
		23,217,302	6,640,988
Loss before taxes		(44,136,573)	(7,075,772)
Current income taxes		(1,634,488)	-
Deferred tax expense		(1,595,022)	(3,036,783)
Net loss		(47,366,083)	(10,112,555)
Other Comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustment		(10,147)	20,933
Total items that may be reclassified subsequently to profit or loss		(10,147)	20,933
Total comprehensive loss for the period		$ (47,376,230)	$ (10,091,622)
Loss per share - basic and diluted	*13*	$ (0.819)	$ (0.194)
Weighted average number of shares			
Basic and Diluted	*13*	57,853,469	52,229,218

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	Share capital: Number of shares	Share capital: Amount	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balance at November 30, 2018		51,863,078	$ 326,160,562	$ 22,170,386	$ (2,620,583)	$ (46,434,749)	$ 299,275,616
Transactions with owners:							
Proceeds from share issue		223,667	1,677,500	-	-	-	1,677,500
Proceeds from stock options exercised		311,444	560,600	-	-	-	560,600
Fair values allocated upon exercise:							
Stock options		-	276,562	(276,562)	-	-	-
Share issuance costs		-	(172,933)	-	-	-	(172,933)
Share-based payments, expensed		-	-	379,208	-	-	379,208
Share-based payments, capitalized		-	-	212,327	-	-	212,327
Premium on flow-through shares		-	(263,217)	-	-	-	(263,217)
Total transactions with owners:		535,111	2,078,512	314,973	-	-	2,393,485
Net loss for the period		-	-	-	-	(10,112,555)	(10,112,555)
Other comprehensive income/(loss):							
Currency translation adjustment		-	-	-	20,933	-	20,933
Balance at February 28, 2019	*14*	52,398,189	$ 328,239,074	$ 22,485,359	$ (2,599,650)	$ (56,547,304)	$ 291,577,479
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		801,822	6,999,906	-	-	-	6,999,906
Proceeds from stock options exercised		297,675	2,375,821	-	-	-	2,375,821
Fair values allocated upon exercise:							
Stock options		-	1,286,229	(1,286,229)	-	-	-
Share issuance costs		-	(63,832)	-	-	-	(63,832)
Share-based payments, expensed		-	-	30,445	-	-	30,445
Share-based payments, capitalized		-	-	15,011	-	-	15,011
Premium on flow-through shares		-	(369,152)	-	-	-	(369,152)
Total transactions with owners:		1,099,497	10,228,972	(1,240,773)	-	-	8,988,199
Net loss for the period		-	-	-	-	(47,366,083)	(47,366,083)
Other comprehensive income/(loss):							
Currency translation adjustment		-	-	-	(10,147)	-	(10,147)
Balance at March 31, 2020	*14*	58,378,126	$ 369,229,324	$ 23,288,515	$ (2,527,600)	$(113,748,599)	$ 276,241,640

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three month period ended March 31, 2020	February 28, 2019
Operating activities			
Net loss for the period		$ (47,366,083)	$ (10,112,555)
Adjustments for:			
Share-based payments	*15*	30,445	379,208
Income taxes		3,422,591	3,036,783
Other	*21*	(6,721,000)	-
Unwinding of present value discount: ARO	*12*	105,903	23,408
Change in fair value of marketable securities		369,098	(2,400)
Change in fair value of derivative instruments	*11*	22,818,497	6,867,540
Amortization		29,074	1,674
Net unrealized foreign exchange (gain) loss		25,244,716	575,020
		(2,066,759)	768,678
Working capital adjustments:			
(Increase) decrease in GST and other receivables		1,068,176	3,312,229
(Increase) decrease in marketable securities		-	(30,150)
(Increase) decrease in prepaid expenses and deposits		410,023	(23,223)
Increase (decrease) in accounts payables and accrued liabilities		3,016,055	(520,544)
		4,494,254	2,738,312
Net cash flows from operating activities		2,427,495	3,506,990
Investing activities			
Sale of mineral property interest		-	14,700,000
Exploration and evaluation assets	*6*	(310,415)	(1,204,741)
Related party loan	*16*	-	(355,021)
Restricted cash		(1,768,822)	(606,214)
Purchase of property, plant and equipment		(7,929,205)	(88,901,219)
Cash received from prior period sale	*21*	6,721,000	-
Net cash flows used in investing activities		(3,287,442)	(76,367,195)
Financing activities			
Shares issued for cash, net of issuance cost	*14*	6,936,074	1,504,567
Exercise of options		2,375,821	560,600
Credit Facility, net of deferred finance fees	*10*	-	45,080,110
Repayment of long-term debt	*10*	(3,127,881)	(2,498,250)
Repayment of lease liability		(229,713)	-
Net cash flows from financing activities		5,954,301	44,647,027
Foreign exchange gain (loss) on cash balances		829,852	(494,863)
Net increase (decrease) in cash and cash equivalents		5,924,206	(28,708,041)
Cash and cash equivalents, beginning of the period		16,882,129	41,030,836
Cash and cash equivalents, end of the period		$ 22,806,335	$ 12,322,795

See accompanying notes to the condensed consolidated interim financial statements. Supplementary Cash Flow information is provided in Note 19.

(Unaudited)
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company is engaged in the operation, exploration and acquisition of mineral properties. The Company completed construction of the Eagle Gold Mine in mid 2019 and poured its first gold in September 2019. To date, the Company has not achieved commercial production and therefore, has not realized any revenues from its properties and is considered to be an exploration and development stage company, with a current focus on operations ramp up. The Company’s registered office is located at 80 Richmond St. West, Suite 204, Toronto, Ontario, M5H 2A4, Canada.

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

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

The Company periodically seeks financing to continue the exploration and development of its exploration and evaluation assets, transition into commercial production and to meet its future administrative requirements. The Company had negative working capital of $73.5 million at March 31, 2020 and will need to raise additional financing or generate sufficient positive cash flows to ensure debt service and repayment terms are met. Although the Company has been successful in raising funds to date, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods. These material uncertainties 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 March 31, 2020, the Company had a working capital deficit of $73.5 million (compared with a deficit of $54.7 million at December 31, 2019), an accumulated deficit of $113.7 million ($66.4 million at December 31, 2019) and reported a net loss of $47.4 million for the three months ended March 31, 2020 (net loss of $10.1 million for the three months ended February 28, 2019). The Company’s debt facilities are fully drawn with $55.1 million coming due within twelve months of March 31, 2020.

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the ten month period ended December 31, 2019, which have been prepared in accordance with IFRS.

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

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

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

Victoria Gold (Yukon) Corp. was acquired by the Company on June 4, 2009.

These financial statements were approved by the Board of Directors for issue on May 28, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

On March 11, 2020, the World Health Organization declared the rapidly spreading COVID-19 outbreak a global pandemic. The current and expected impacts on global commerce have been, and are anticipated to continue to be, far-reaching. To date, there has been significant volatility in stock markets, commodity prices and foreign exchange markets. There has been material restrictions on the conduct of business and the global movement of people and availability of some goods has become constrained.

The Company has been closely monitoring developments in the COVID-19 outbreak since January 2020 and has implemented preventive measures to ensure the safety of its workforce and local communities. To date, there have been no outbreaks of COVID-19 at the Company's Eagle Mine and there have been no significant disruptions to current operations. However, the Company has made changes to its business and how it operates in order to minimize the risks to employees, communities and other stakeholders.

The Company continues to manage and respond to COVID-19 within the framework of its Pandemic Response Plan along with recommendations of health authorities and local and national regulatory requirements.

(Expressed in Canadian Dollars)

5. GST AND OTHER RECEIVABLES

GST and other receivables include the following components:

	March 31, 2020	December 31, 2019
GST receivable	$ 1,529,763	$ 1,539,807
Trade and other receivables	2,673,264	3,731,396
Total	$ 4,203,027	$ 5,271,203

6. EXPLORATION AND EVALUATION ASSETS

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance December 31, 2019	$ 6,585,828	$ 24,642,125	$ 1,681,929	$ 32,909,882
Salaries and benefits	18,196	202,345	-	220,541
Consulting and administration	4,231	-	-	4,231
Land claims and royalties	-	-	57,500	57,500
Environmental and permitting	911	-	-	911
Other exploration	-	88,929	-	88,929
Exploration and evaluation costs for the period	23,338	291,274	57,500	372,112
Currency translation	609,271	-	-	609,271
Balance March 31, 2020	$ 7,218,437	$ 24,933,399	$ 1,739,429	$ 33,891,265

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

As of March 31, 2020, restricted cash consists of $0.4 million relating to Santa Fe (December 31, 2019 - $0.4 million), $5.6 million for Dublin Gulch (December 31, 2019 - $4.4 million) and $7.1 million for the CAT financial lease facility (December 31, 2019 - $6.5 million) which requires a 10% deposit of each drawdown into a debt service reserve account (“DSRA”). The restricted cash for Dublin Gulch is a restricted guaranteed investment certificate ("GIC") that supports a line of credit that the Bank of Nova Scotia provides to a surety provider that in turn provides a $21.6M surety bond related to the reclamation performance bond.

(Unaudited)
(Expressed in Canadian Dollars)

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 28, 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
Consulting and administration	10,590	457,347	-	467,937
Land claims and royalties	67,537	1,890	25,000	94,427
Environmental and permitting	25,650	85,404	-	111,054
Government and community relations	-	47,141	-	47,141
Drilling and indirects	-	396,743	-	396,743
Other exploration	-	1,217,126	-	1,217,126
Exploration and evaluation costs for the period	149,047	2,875,469	25,000	3,049,516
Currency translation	(85,395)	-	-	(85,395)
Balance December 31, 2019	$ 6,585,828	$ 24,642,125	$ 1,681,929	$ 32,909,882

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

(Unaudited)
(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Other assets	Right-of-use assets	Leasehold improvements	Buildings & structures	Equipment	Eagle Mine / Construction in progress	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
Net Capitalized Gold Sales	-	-	-	-	-	(21,496,709)	(21,496,709)
Additions	-	1,330,429	-	317,605	699,892	48,668,587	51,016,513
March 31, 2020	$1,215,683	$ 3,227,198	$ 589,149	$ 236,582,984	$ 129,046,856	$ 293,637,095	$664,298,965
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	23,270	218,172	39,067	5,024,583	4,065,714	-	9,370,806
March 31, 2020	$ 938,887	$ 736,661	$ 168,261	$ 14,725,202	$ 10,669,696	$ -	$ 27,238,707
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
March 31, 2020	$ 276,796	$ 2,490,537	$ 420,888	$221,857,782	$ 118,377,160	$293,637,095	$637,060,258

During the three month period ended March 31, 2020, the Company capitalized amortization related to Eagle Mine / construction in progress of $9.3 million ($10.4 million – ten month period ended December 31, 2019).

The carrying value of equipment pledged as security for the related Equipment Financing Facility at March 31, 2020 was $53.0 million ($55.7 million – ten month period ended December 31, 2019) (*Note 10*).

(Unaudited)
(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the following components:

	March 31, 2020	December 31, 2019
Trade payables	$ 14,258,378	$ 9,686,931
Accrued liabilities	13,576,965	14,585,250
Payroll related liabilities	4,952,215	2,336,911
Total	$ 32,787,558	$ 26,609,092

9. LEASE LIABILITY

	Total
As at December 31, 2019	$ 1,407,972
Additions	1,330,429
Interest expense	55,116
Lease payments	(229,713)
Lease liabilities at March 31, 2020	$ 2,563,804
Current lease liability	715,946
Non-current lease liability	$ 1,847,858

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.

	March 31, 2020	December 31, 2019
MATURITY ANALYSIS		
< 1 year	$ 715,946	$ 592,396
1 to 3 years	677,340	566,214
3 to 5 years	451,004	204,542
> 5 years	719,514	44,820
Total	$ 2,563,804	$ 1,407,972

10. DEBT

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

The existing debt facilities include certain covenants that impact each fiscal quarter commencing August 30, 2020. As at March 31, 2020, the Company is in compliance with all covenants.

Debt Facilities

Senior Secured Debt Facility

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

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

As at March 31, 2020, the Company had drawn the full US$100 million Senior Secured Debt Facility. Deferred financing charges in the amount of $1.5 million will be amortized over the term using the effective interest rate method.

Subordinated Loan Facility

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

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

As at March 31, 2020, the Company had drawn the full US$75 million Subordinated Loan Facility. Deferred financing charges in the amount of $1.8 million will be amortized over the term using the effective interest rate method.

Equipment Finance Facility

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

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

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

As at March 31, 2020, the Company had drawn US$49.9 million of the Equipment Finance Facility. Quarterly repayments commenced in November 2018. Deferred financing charges in the amount of $2.7 million will be amortized over the Term using the effective interest rate method.

(Unaudited)
(Expressed in Canadian Dollars)

	March 31, 2020	December 31, 2019
Senior Secured Debt Facility, principal	$ 147,537,417	$ 132,625,637
Senior Secured Debt Facility, interest	905,026	850,691
Senior Secured Debt Facility, ending balance	$ 148,442,443	$ 133,476,328
Subordinated Loan Facility, principal	$ 117,985,147	$ 105,538,626
Subordinated Loan Facility, interest	882,888	848,412
Subordinated Loan Facility, ending balance	$ 118,868,035	$ 106,387,038
Equipment Finance Facility, principal	$ 51,224,229	$ 48,951,103
Equipment Finance Facility, interest	820,424	810,917
Equipment Finance Facility, ending balance	$ 52,044,653	$ 49,762,020
	$ 319,355,131	$ 289,625,386
Less: Current portion	(55,098,465)	(50,277,982)
Debt	$ 264,256,666	$ 239,347,404

During the three month period ended March 31, 2020 the Company incurred interest expense of $5.6 million (February 28, 2019 - $2.6 million) and amortized deferred financing charges of $0.4 million (February 28, 2019 - $0.2 million). These charges were capitalized to construction in progress.

The Equipment Finance Facility with CAT is secured by leased equipment with a carrying value of $53.0 million as of March 31, 2020 ($55.7 million – ten month period ended December 31, 2019).

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

	2020	2021	2022	2023	2024 and thereafter	Total
Senior Secured Debt Facility	29,860,715	39,814,287	39,814,287	39,814,287	-	$149,303,576
Subordinated Loan Facility	-	-	-	-	119,952,227	119,952,227
Equipment Finance Facility	7,064,930	9,419,907	12,726,280	10,938,514	7,906,610	48,056,241
	$36,925,645	$49,234,194	$52,540,567	$50,752,801	$127,858,837	$317,312,044

(Unaudited)
(Expressed in Canadian Dollars)

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Instruments outstanding	Quantity outstanding	Remaining term	Exercise price (C$/oz)	Fair value - asset (liability)[1]
Zero-cost collars				
Gold call options - sold	40,000 oz	June 2020 - December 2020	$ 1,936	$ (13,647,945)
Gold put options - purchased	40,000 oz	June 2020 - December 2020	$ 1,500	155,065
				$ (13,492,880)
Gold call options - sold	60,000 oz	March 2021 - December 2021	$ 1,936	(24,060,678)
Gold put options - purchased	60,000 oz	March 2021 - December 2021	$ 1,500	1,349,242
				$ (36,204,316)
Gold call options				
Gold call options - sold	20,000 oz	April 13, 2023	US$1,485	(10,231,673)
Warrants				
Warrants	1,666,667	April 13, 2023	$ 9.375	(2,374,800)
				$ (48,810,789)

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

Zero Cost Collars

In May 2018, the Company entered into gold price zero cost collars using option contracts that the Company has elected not to designate as cash flow hedges for hedge accounting under IFRS 9. The purchase of gold put options was financed through selling gold call options at a higher level such that the net premium payable by the Company at the time of entering into the contracts was $nil. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in the condensed consolidated interim financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The Company recognized the mark-to-market adjustment loss of $20.8 million, based on US$1,584 per ounce of gold and a foreign exchange rate of 1.4187 US$ to C$, in net loss of the condensed consolidated interim statements of loss and comprehensive loss for the three month period ended March 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 condensed consolidated interim financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using external broker-dealer quotations corroborated by option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at March 31, 2020 the gold call option fair value was $10.2 million, based on US$1,584 per ounce of gold and a foreign exchange rate of 1.4187 US$ to C$. The Company recognized the mark-to-market adjustment loss of $4.5 million in net loss of the condensed consolidated interim statements of loss and comprehensive loss for the three month period ended March 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 condensed consolidated interim financial statements based on contractual maturity. These derivative financial instruments are recorded at fair value using Black-Scholes option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. As at March 31 2020, the warrant fair value was $2.4 million based on the March 31, 2020 closing share price of $6.30. The Company recognized the mark-to-market adjustment gain of $2.5 million in net loss of the condensed consolidated interim statements of loss and comprehensive loss for the three month period ended March 31, 2020.

(Expressed in Canadian Dollars)

12. 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 6.*

The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with the Santa Fe and Dublin Gulch properties. As a result of construction and ramp-up activities, the ARO was increased during the three month period ended March 31, 2020. 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 March 31, 2020 was determined to be $32.3 million for Dublin Gulch (December 31, 2019 - $31.0 million) and $0.4 million for Santa Fe (December 31, 2019 - $0.4 million);
b) weighted average risk-free interest rate at 1.3% and a long-term inflation rate of 2.0%; and
c) expected timing of risk adjusted cash outflows required to settle the obligation will be incurred over the period through 2033 for Dublin Gulch and through 2029 for Santa Fe.

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

	March 31, 2020	December 31, 2019
Balance, beginning of period	$ 25,351,318	$ 8,405,028
Unwinding of discount: ARO	105,903	146,977
Currency translation	33,212	(6,618)
ARO change due to increased footprint	2,519,265	16,805,931
Balance, end of period	$ 28,009,698	$ 25,351,318

(Expressed in Canadian Dollars)

13. LOSS PER SHARE

(a) Basic

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

	Three month period ended March 31, 2020	February 28, 2019
Net loss	$ (47,366,083)	$ (10,112,555)
Weighted average number of common shares issued	57,853,469	52,229,218
Basic loss per share	$ (0.819)	$ (0.194)

(b) Diluted

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

14. 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 58,378,126 and 52,398,189 shares for the three months ended March 31, 2020 and February 28, 2019, respectively.

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 are subject to a four-month hold period.

Deferred Premium on flow-through shares
The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is reduced and the reduction of premium liability is recorded as a tax recovery upon incurring qualifying expenditures. As at March 31, 2020 the Company recognized a deferred premium liability of $0.1 million, net of qualifying CDE expenditures incurred as at March 31, 2020 relating to the flow-through shares financing completed on February 27, 2020 (see above).

15. 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 March 31, 2020, 3,340,963 (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 March 31, 2020 and as at December 31, 2019, and changes during the periods ended on those dates is presented below:

(Unaudited)
(Expressed in Canadian Dollars)

	March 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 period	2,364,334	$	6.86	$6,087,224	2,002,000	$	6.67	$5,270,008
Granted	-	$	-	-	474,000	$	8.05	1,327,626
Exercised	(297,675)	$	7.98	(1,286,232)	(52,333)	$	8.25	(233,458)
Expired	-	$	-	-	(50,000)	$	9.06	(263,316)
Forfeited	-	$	-	-	(9,333)	$	7.50	(13,636)
Outstanding, end of the period	2,066,659	$	6.70	$4,800,992	2,364,334	$	6.86	$6,087,224

As at March 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
December 15, 2015	426,665	426,665	$	2.25	December 15, 2020
August 9, 2016	20,000	20,000	$	10.50	August 9, 2021
April 24, 2017	79,333	79,333	$	10.80	April 24, 2020 *
May 28, 2018	378,665	378,665	$	7.50	May 28, 2021
August 15, 2018	258,663	258,663	$	7.50	August 15, 2021
January 25, 2019	429,333	429,333	$	7.50	January 25, 2022
December 9, 2019	474,000	474,000	$	8.05	December 9, 2022
	2,066,659	2,066,659			

* The expiry of this tranche of options was extended as the Company was on blackout at expiry and up to the date of these statements.

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

On January 25, 2019, the Company granted 429,333 incentive stock options with an exercise price of $7.50 per option to directors, officers and employees of the Company. The stock options have a term of three years and expire on January 25, 2022. The fair value of these options, totalling $1,246,140 ($832,142 expensed and $413,998 capitalized to property, plant and equipment) has been fully recognized as at March 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 9.8%.

(Unaudited)
(Expressed in Canadian Dollars)

Warrants

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

	March 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 period	1,666,667	$ 9.375	$ 4,359,345	4,333,334	$ 7.30	$10,979,345
Expired	-	$ -	-	(2,666,667)	$ 6.00	(6,620,000)
Outstanding, end of the period	1,666,667	$ 9.375	$ 4,359,345	1,666,667	$ 9.375	4,359,345

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

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

These April 13, 2023 warrants are considered financial instruments at fair value through profit or loss ("FVTPL"). The holder of the warrants may exercise the warrants for the Company's common shares. However, if the exercise would result in the holder's total share ownership exceeding 19.99% of the total number of the Company's common shares then issued and outstanding the Company would have to pay the value of the warrant. As a result, the warrants have been classified as a financial liability instrument and are recorded at fair value at each reporting period end using a Black-Scholes model. Warrant pricing models require the input of certain assumptions including price volatility and expected life. Changes in these assumptions could affect the reported fair value of the warrants (*Note 11*).

16. 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 March 31, 2020 and during the three months ended March 31 with Orion are included in *Note 10.*

The remuneration of directors and key management of the Company for the three month periods ended March 31, 2020 and February 28, 2019 was as follows:

	March 31, 2020	February 28, 2019
Salaries and other short term employment benefits	$ 1,399,100	$ 1,248,875
Share based compensation	$ 42,789	$ 315,185

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

	March 31, 2020	December 31, 2019
Outstanding, beginning of the period	$ 1,389,435	$ 1,366,948
Interest charged	6,736	22,487
Outstanding, end of the period	$ 1,396,171	$ 1,389,435

17. COMMITMENTS AND CONTINGENCIES

As at March 31, 2020, the Company had commitments of $3.6 million for goods to be settled during the quarter ended June 30, 2020.

A contractor has placed a lien on Victoria Gold (Yukon) Corp. in the amount of approximately $8.2 million before tax in conjunction with certain construction activities. The Company has agreed to approximately $4.2 million, which has been paid. The remaining $4.0 million is in dispute. The Company believes the disputed amount to be without merit. The Company may advance to legal proceedings should a settlement not be achieved.

18. SEGMENTED INFORMATION

The Company's principal activity is the exploration and development of mineral properties. The Company reports separately three operating segments, corporate segment and mineral exploration and development in two geographical segments, Canada and the United States. A breakdown of mineral properties by geographic expenditures is disclosed in *Note 6.*

In millions of Cdn $	**Canada**	**USA**	**Corporate**	**Total**
As at March 31, 2020				
Property, plant and equipment	636.8	-	0.3	637.1
Exploration and evaluation assets	26.7	7.2	-	33.9
Total Assets	680.4	8.9	24.3	713.6
As at December 31, 2019				
Property, plant and equipment	616.5	-	0.4	616.9
Exploration and evaluation assets	26.3	6.6	-	32.9
Total Assets	660.5	7.0	19.1	686.6
Three months ended March 31, 2020				
Net loss/(income)	28.7	(5.1)	23.8	47.4
Three months ended February 28, 2019				
Net loss	2.1	-	8.0	10.1

(Unaudited)
(Expressed in Canadian Dollars)

19. SUPPLEMENTARY CASH FLOW INFORMATION

		March 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	$	24,428,929	$	22,228,487
Stock-based compensation, capitalized to property, plant and equipment	$	15,011	$	778,285
Income taxes paid	$	-	$	-
Interest paid	$	866,282	$	2,449,070

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

		Long-term debt (*Note 10*)		Lease liability (*Note 9*)		Total
Balance, January 1, 2020	$	289,625,386	$	1,407,972	$	291,033,358
Changes from financing activities:						
Principal paid		(2,316,715)		(174,597)		(2,491,312)
Interest paid		(811,167)		(55,116)		(866,283)
		286,497,504		1,178,259		287,675,763
Non-cash changes:						
Balance, January 1, 2020						
Lease additions		-		1,330,429		1,330,429
Interest expense		-		55,116		55,116
Foreign exchange (gain) / loss		26,918,670		-		26,918,670
Capitalized amortization of deferred financing fees		350,095		-		350,095
Capitalized interest		5,588,862		-		5,588,862
Balance, March 31, 2020	$	319,355,131	$	2,563,804	$	321,918,935

20. FINANCIAL RISK MANAGEMENT

(a) Fair value of financial assets and liabilities

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

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

(Unaudited)
(Expressed in Canadian Dollars)

		March 31, 2020		December 31, 2019	
	Classification	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	*Level 1*	$ 22,806,335	$ 22,806,335	$ 16,882,129	$ 16,882,129
Restricted cash	*Level 1*	13,073,149	13,073,149	11,271,541	11,271,541
Marketable securities	*Level 1*	501,804	501,804	870,902	870,902
Other receivables	*Amortized Cost*	4,203,027	4,203,027	5,271,203	5,271,203
Due from related parties	*Amortized Cost*	1,396,171	1,396,171	1,389,435	1,389,435
Accounts payable and accrued liabilities	*Amortized Cost*	(32,787,558)	(32,787,558)	(26,609,092)	(26,609,092)
Lease liability	*Amortized Cost*	(2,563,804)	(2,563,804)	(1,407,972)	(1,407,972)
Debt	*Amortized Cost*	(319,355,131)	(319,355,131)	(289,625,386)	(289,625,386)
Fair value of derivative instruments	*Level 2*	48,810,789	48,810,789	25,992,292	25,992,292

The fair value hierarchy has the following levels:

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

(b) Estimation of fair values

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

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

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

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

(c) Foreign currency risk

The Company incurs minimal exploration expenditures in the United States and holds a portion of its restricted cash and cash and cash equivalents in US dollars. The Company also has debt facilities in US dollars being utilized. The Company funds certain 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.

21. OTHER

During the three months ended March 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 quarter.

22. SUBSEQUENT EVENTS

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.