



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**

**For the three and six months ended August 31, 2018**

**DATED: October 26, 2018**

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## VICTORIA GOLD CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis has been prepared as at October 26, 2018 and contains certain "Forward-Looking Statements" within the meaning of the Canadian Securities laws. All statements, other than statements of historical fact, included herein, including, without limitation, statements regarding potential mineralization and reserves, exploration results and future plans and objectives of Victoria Gold Corp. (the "Company" or "Victoria") are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.*

The following management's discussion and analysis ("MD&A") of the operating results and financial position of the Company should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and the notes thereto of the Company for the three and six months ended August 31, 2018 and for the year ended February 28, 2018. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars, unless otherwise stated.

### FORWARD-LOOKING STATEMENTS

These condensed consolidated interim financial statements and MD&A contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include mineral reserve and resource estimates, estimates of future production and the timing thereof and costs and timing of drilling campaigns, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated mineral resources and reserves, exploration and drilling success or failure, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, securing financing, inflation, changes in exchange rates, fluctuations in commodity prices, availability or interruption of power supply, mechanical equipment performance problems, accidents, labour force disruptions, unanticipated transportation costs and shipping delays, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

## OVERVIEW

Victoria is an emerging gold producer whose flagship asset is its 100% owned Dublin Gulch property which hosts the Eagle and Olive-Shamrock Gold Deposits. Dublin Gulch is situated in central Yukon, Canada, approximately 375 kilometres north of the capital city of Whitehorse. The property covers an area of approximately 555 square kilometres, is accessible by road year-round and is located within Yukon Energy Corporation's service area.

### CORPORATE HIGHLIGHTS (since March 1, 2018)

On May 14, 2018, the Company announced it had entered into a gold price protection program (the "Hedging Program") with Macquarie Bank Limited. The objective of the Hedging Program is to mitigate the risk associated with adverse fluctuations and volatility in the price of gold during the critical early years of operation and debt repayment.

The Hedging Program is unsecured and is a zero-cost collar. Details include:

- 100,000 ozs of put options were purchased with a strike price of Cdn\$1,500/oz,
- 100,000 ozs of call options were sold with a strike price of Cdn\$1,936/oz, and
- the 100,000 ozs include 40,000 ozs in 2020 and 60,000 ozs in 2021.

On June 18, 2018, the Company announced that Mr. Sean Roosen and Mr. Jacques Perron would be joining the Board pursuant to the terms of the financing announced on March 8, 2018. The Company also reported that Ms. Heather White had resigned from the board.

On September 19, 2018, the Company announced that Mr. David Rouleau has joined the senior management team as VP Operations & General Manager for Eagle. David is a Mining Engineer with over 30 years of operational and management experience. He was recently the VP of Operations with Barkerville Gold Mines Ltd. and prior to that, spent 5 years with Taseko Mines Limited as VP of Operations primarily responsible for the open pit Gibraltar Mine in central British Columbia. David was also a key member of Canadian Natural Resources Limited senior management team while developing the Horizon Oil Sands Project in Fort McMurray. David's background further includes 17 years with Teck Cominco in various operations and engineering roles at a number of their mine sites. David holds a B. Sc. Mine Engineering Degree from South Dakota School of Mines and a Mine Technology Diploma from the Haileybury School of Mines.

The Company has also bolstered its' senior project team through the additions of Maintenance, Process and HR Managers; Douglas Desaulniers, Barry Carlson, and Eileen Olivier respectively. Ongoing discussions with candidates to round out the senior project team are progressing well and the Company expects to have the full owner's team in place in the very near future.

### FINANCING ACTIVITIES

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

#### May 2, 2017 Flow-through Financing (All amounts are approximate)

<u>Description</u>	<u>Prior Disclosure</u>	<u>Actual Spent</u>	<u>Remaining</u>	<u>Total</u>	<u>Variance</u>
Dublin Gulch Exploration	\$10.0	\$10.0	\$0	\$10.0	Nil

## **Eagle Gold Project Financing**

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

The private placement subscriptions by each of Orion and Osisko closed on April 16, 2018 and the Company issued 150,000,000 common shares to Orion and 100,000,000 common shares to Osisko at a price of \$0.50 per share for aggregate gross proceeds of \$125 million. The Company also completed the issuance to Orion of 25,000,000 common share purchase warrants.

Additionally, pursuant to the royalty agreement between the Company, its wholly-owned subsidiary Stratagold Corporation and Osisko, Victoria received the first tranche of the royalty payment equal to \$49 million. The Company accounted for this as a disposal of interest in mineral property.

## **Transaction Details**

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

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

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

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

Separately, Victoria has also entered into, with Cat Financial, a master lease agreement with respect to a US\$50 million equipment financing facility. As of the date hereof, the Company has received US\$25.8 million from Cat Financial.

Funding of the remaining tranche of the royalty purchase, the senior and subordinated credit facilities, and the Cat Financial lease is subject to the satisfaction of certain conditions precedent, and completion of necessary steps to meet the security interests in respect of the Orion credit facilities, Osisko royalty and Cat Financial equipment financing. In September 2018, the Company completed its first debt drawdown and received US\$30 million in conjunction with the Orion subordinated debt. The second payment under the royalty transaction of \$14.7 million was received from Osisko in September 2018 with the remaining \$34.3 million outstanding under the royalty transaction to be received pro-rata with drawdowns under the subordinated debt component of the Orion credit facilities.

Following closing of the financing facilities, the Company determined that the Eagle Gold mine had demonstrated technical feasibility and commercial viability as the Company completed a comprehensive financing package, had received major permits required to build and operate the Eagle Gold mine, and had issued a positive feasibility study in 2016. As a result, exploration and development assets of approximately \$92.8 million were transferred to mine under construction within property, plant and equipment in the condensed consolidated interim statement of financial position at May 31, 2018.

Details of the Company's Projects can be found within the Property Information, Recently Completed Activities & Outlook section within this MD&A.

## EXPLORATION AND DEVELOPMENT ACTIVITIES

The Company has incurred resource expenditures since inception through August 31, 2018, net of property acquisitions, sales, transfers and impairments, totalling \$30.6 million. During the six months ended August 31, 2018, the Company incurred net resource property expenditures totalling \$8.6 million.

Comparatively, the Company had incurred resource expenditures since inception through August 31, 2017, net of property acquisitions, sales and impairments, totalling \$143.7 million. During the six months ended August 31, 2017, the Company incurred net resource property expenditures totalling \$20.3 million.

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
<b>Balance February 28, 2018</b>	\$ 6,635,060	\$ 155,523,884	\$ 1,581,204	\$ 163,740,148
Transfer to property, plant and equipment		(92,773,088)		(92,773,088)
Sale of property interest *	-	(49,000,000)	-	(49,000,000)
Salaries and benefits	25,727	353,658	-	379,386
Amortization	-	-	-	-
Consulting and administration	22,856	268,026	-	290,882
Land claims and royalties	62,761	54,188	25,475	142,424
Environmental and permitting	7,829	163,499	-	171,328
Government and community relations	-	26,830	-	26,830
Drilling and indirects	-	790,072	-	790,072
Other exploration	-	2,764,871	-	2,764,871
Asset retirement obligation adjustment	-	3,956,041	-	3,956,041
Exploration and evaluation costs for the period	119,173	8,377,185	25,475	8,521,834
Currency translation	127,481	-	-	127,481
<b>Balance August 31, 2018</b>	\$ 6,881,714	\$ 22,127,981	\$ 1,606,679	\$ 30,616,375

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

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

For the six months ended August 31, 2018, the Company incurred \$119,173 in property exploration and development expenditures on its Santa Fe, NV property. Spending included \$7,829 on environmental and permitting including water monitoring, \$25,727 on salaries and benefits, \$22,856 on consulting and administrative charges and \$62,761 on land claims and royalties.

For the six months ended August 31, 2018, the company disposed of its \$49,000,000 in mineral property interest through the royalty sale to Osisko and transferred \$92,773,088 to property plant and equipment regarding the construction of the Eagle Gold Deposit. The Company also incurred \$8,377,185 in property exploration and development expenditures on its Dublin Gulch, YT property. \$3,554,943 was spent on exploration of the Dublin Gulch property, including assays, drilling and exploration support. \$26,830 was spent on government and community relations while \$163,499 was incurred for environmental and permitting activities and \$54,188 for land claims and royalties. There was \$353,658 incurred for salaries and benefits and \$268,026 in consulting and administration expenses to support exploration and development activities on the Dublin Gulch property. As a result of accessing new targets on the Dublin Gulch property for the 2018 exploration program and site preparation earthworks activities, a charge of \$3,956,041 was accrued for future reclamation obligations.

## **PROPERTY INFORMATION, RECENTLY COMPLETED ACTIVITIES & OUTLOOK**

### **a) Property Information**

The Dublin Gulch property includes the Eagle Gold Deposit, the Olive-Shamrock Deposit, the Wolf Tungsten Deposit, the Potato Hills Trend including the Nugget, Popeye, Rex-Peso, East Potato Hills and Eagle West targets, the Falcon target as well as other targets. The property is located 85 km by road north of the village of Mayo in the Yukon, Canada. The property is centered on the confluence of the Haggart Creek and Dublin Gulch, at approximately 64°02' N and 135°50' W. The property comprises an aggregate area of approximately 555 square kilometres.

On September 12, 2016, the Company released the results of a National Instrument 43-101 feasibility study on the Eagle Gold Project. The feasibility study was filed on SEDAR on October 26, 2016. The feasibility study was prepared under the direction of JDS Energy & Mining ("JDS"), an industry leading, international engineering firm, with extensive experience in both construction and operation of mining projects in Canada's north. The study was supported by a globally recognized feasibility study team, all of whom were independent of the Company, including:

- Merit Consultants International Inc. ("Merit"), responsible for the capital cost estimate ("CCE") and construction and project execution plans;
- Allan Moran Geological Services, responsible for the mineral resource estimate;
- Dowl Engineering, responsible for heap leach facilities and event ponds design;
- AllNorth Consultants, responsible for engineering pertaining to on-site infrastructure and detailed engineering;
- SRK Consulting (U.S.) Inc ("SRK"), responsible for the geotechnical assessment and design of open pits and geotechnical assessment of ground conditions for infrastructure facilities, the heap leach pads and waste rock storage areas; and
- Kappes, Cassiday & Associates ("KCA"), responsible for metallurgy.

The feasibility study confirmed the technical and financial viability of constructing and operating a 33,700 tonne/day ("tpd") mine encompassing 2 open pits, a three-stage crushing circuit, 2 in-valley heap leach pads and an adsorption desorption gold recovery plant ("ADR plant") operation at Eagle.

<b>Highlights of the Feasibility Study</b> (all amounts in Canadian dollars unless otherwise stated)	
Proven and Probable Gold Reserves (oz)*	2,663,000
Average Annual Gold Production (oz, first 4 full years)	211,000
Average Annualized Gold Production (oz, LOM approximately 10 years)	190,000
Initial CapEx	\$369,600,000
OpEx (\$ per tonne processed, LOM)	\$10.54
Operating Cost per ounce (\$US/oz)	\$539
All-in sustaining cost (\$US/oz)	\$638

\*The stated mineral reserves are included within mineral resources.

### **In-Pit Mineral Resource Estimate**

The Eagle Resource used a total of 38,370 assay intervals with gold assays in 370 drillholes were used to define a wireframe with assays capped at 16.0 g/t Au. The capped gold assays were composited into 2.5 m intervals from the top of the drill hole with breaks at the wireframe boundary. Composite intervals less than 0.5 m in length were added to the composite immediately above. A block model with a cell size of 10 m x 10 m x 5 m was used for the grade estimation.

<b>Eagle Constrained In-Pit Mineral Resource</b>				
<b>Classification</b>	<b>Cut-off Grade (g/t Au)</b>	<b>Tonnes (Mt)</b>	<b>In-Situ Grade (g/t Au)</b>	<b>Contained Au (koz)</b>
<b>Measured</b>	0.15	29.4	0.81	761
<b>Indicated</b>	0.15	151.3	0.59	2,870
<b>Meas. + Ind.</b>	<b>0.15</b>	<b>180.7</b>	<b>0.63</b>	<b>3,631</b>
<b>Inferred</b>	<b>0.15</b>	<b>17.4</b>	<b>0.49</b>	<b>276</b>

**Notes to Table:**

1. *The effective date for the Mineral Resource is September 12, 2016.*
2. *Mineral Resources which are not mineral reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.*
3. *The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.*

The Olive Resource estimation used a total of 8,262 assay intervals in 175 holes and 38 trenches to define a wireframe with assays capped at 25 g/t Au. The capped gold assays were composited into 2.5 m intervals from the top of the drill hole with breaks at the wireframe boundary. Composite intervals less than 0.5 m in length were added to the composite immediately above. A block model with a cell size of 10 m x 10 m x 5 m was used for the grade estimation.



Olive Constrained In-Pit Mineral Resource				
Classification	Cut-off Grade (g/t Au)	Tonnes (Mt)	In-Situ Grade (g/t Au)	Contained Au (koz)
Measured	0.4	2.0	1.19	75
Indicated	0.4	7.6	1.05	254
<b>Meas. + Ind.</b>	<b>0.4</b>	<b>9.5</b>	<b>1.07</b>	<b>329</b>
Inferred	<b>0.4</b>	<b>7.3</b>	<b>0.89</b>	<b>210</b>

**Notes to Table:**

1. The effective date for the Mineral Resource is September 12, 2016.
2. Mineral Resources which are not mineral reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.

**Mineral Reserves**

The Proven and Probable Mineral Reserve is the economically minable portions of the Measured and Indicated in-pit Mineral Resource as demonstrated by this feasibility study.

Eagle and Olive Mineral Reserve			
Type	Ore (Mt)	Diluted Grade (g/t)	Contained Gold (koz)
Eagle Proven	27	0.80	688
Eagle Probable	90	0.62	1,775
<b>Total Eagle</b>	<b>116</b>	<b>0.66</b>	<b>2,463</b>
Olive Proven	2	1.02	58
Olive Probable	5	0.93	142
<b>Total Olive</b>	<b>7</b>	<b>0.95</b>	<b>200</b>
<b>Total Olive + Eagle</b>	<b>123</b>	<b>0.67</b>	<b>2,663</b>

**Notes to Table:**

1. The effective date for the Mineral Resource is September 12, 2016.
2. Mineral Reserves are included within Measured and Indicated Mineral Resources.

Eagle and Olive Mineral Reserve			
Type	Ore (Mt)	Diluted Grade (g/t)	Contained Gold (koz)
Eagle Crushed Ore	101	0.72	2,330
Olive Crushed Ore	7	0.95	200
<b>Total Crushed Ore</b>	<b>108</b>	<b>0.73</b>	<b>2,530</b>
Eagle Run of Mine Ore	15	0.27	133
<b>Total</b>	<b>123</b>	<b>0.67</b>	<b>2,663</b>

**Notes to Table:**

1. The effective date for the Mineral Resource is September 12, 2016.
2. Mineral Reserves are included within Measured and Indicated Mineral Resources.

## **Mining**

Eagle and Olive are open pit mines and will operate as a drill, blast, shovel and haul operations with a combined nominal rate of 33,700 tpd ore and mine life of 10 years. Ore to be crushed will be hauled to the primary crusher located toward the north east side of the Eagle pit. Run of mine ("ROM") ore will be hauled directly to the primary heap leach pad or the stockpile.

Eagle waste rock will be hauled to one of two waste rock storage areas immediately to the south and north of the open pit which results in short haul distances. Olive waste rock will be hauled to a waste rock storage area immediately south-west of the open pit. Waste rock storage will be managed to allow for future pit expansion. The ratio of waste to ore is 0.95 to 1 and total waste material is 116 million tonnes.

## **Processing**

Material above the crushed ore cut-off grades will be hauled from the open-pits to the primary crusher. Ore will be crushed at a nominal rate of 30,100 tpd. Following primary crushing, ore will be conveyed through a secondary and tertiary crushing circuit to a final crush size of P80 6.5 mm. Crushed ore will be conveyed to one of the two in-valley heap leach pads.

Ore will be stacked in 10m high lifts using a mobile conveying and stacking system then primary leached for 90 days. The pregnant solution, laden with gold once leaching is complete, will be pumped to an ADR plant where gold will be stripped from the solution and poured into doré bars. Life of mine recovery is estimated at 70.8%, including ROM ore.

Ore will be mined and primary crushed 365 days per year. Ore will be stacked on the heap leach pads 275 days per year. A stockpile will be used for primary crushed ore and ROM ore during the coldest 90 days of the year and the stockpile will be reclaimed to the secondary crushing circuit and the heap leach pads during the 275 day stacking period.

A total of 123 million tonnes of ore will be processed, including 108 million tonnes of crushed ore and 15 million tonnes of ROM ore. Crushed ore and ROM will be segregated on the heap leach pad. The primary heap leach pad will hold 77 million tonnes while the secondary heap leach pad will hold 46 million tonnes. The secondary heap leach pad has potential excess capacity of approximately 50 million tonnes should it be required for mine expansion.

## **Infrastructure**

The project is well supported by local infrastructure. Eagle is accessed via an existing year-round road connecting to the Silver Trail Highway. Grid power currently runs along the highway to support grid power via a spur line to be constructed along the existing access road. A 1,400m airstrip is located in Mayo approximately 85km by road from the project site. An existing construction-ready 100-person camp is currently operational at site. A further 110-person camp recently purchased by the Company is located in Mayo and installation at site will begin in calendar Q3 2017 prior to construction. All mine site infrastructure to be built for Eagle and Olive is located within a few kilometres of the open pits.

## **Capital Costs**

The initial capital cost for Eagle was estimated (in 2016 dollars) at C\$369.6 million with an accuracy of +/-15% including contingency of C\$35.2 million and all pre-stripping. The contingency allowance was calculated on a risk-adjusted basis for each of the major capital cost categories. Indirect costs include initial fills, spares, commissioning and start-up, engineering and procurement, construction management and freight and logistics.

Life of mine sustaining capital costs are estimated at \$183 million and closure costs (net of salvage value) are \$35 million.

**Initial Capital Cost Estimate** (all amounts in Canadian dollars unless otherwise stated):

<b>Initial Capital Cost Estimate</b> (all amounts in Canadian dollars unless otherwise stated)	
Mining	\$ 34,500,000
Site General	\$ 17,700,000
Process	\$ 101,300,000
Ancillaries	\$ 22,200,000
Power Supply & Distribution	\$ 15,100,000
Water Management	\$ 5,700,000
Heap Leach Pad	\$ 56,400,000
Owner's Costs	\$ 8,600,000
Indirect Costs	\$ 72,900,000
Contingency	\$ 35,200,000
<b>Total Directs, Indirects, Owner's Cost, including Contingency</b>	<b>\$ 369,600,000</b>

### Operating Costs

LOM site operating costs are estimated at CAD \$10.54 per tonne processed, as summarized below:

<b>Area</b>	<b>Operating Costs</b>		
	<b>C\$/t mined</b>	<b>C\$/t leached</b>	<b>US\$/oz payable</b>
Mine	\$2.15	\$4.19	\$214
Process/leach	n/a	\$4.93	\$252
G&A	n/a	\$1.42	\$73
<b>Total</b>		<b>\$10.54</b>	<b>\$539</b>

### Financial Analysis

Base case: consensus based long-term gold price of US\$1,250/ounce gold and US\$/CAD\$ exchange rate of \$0.78:\$1.00:

#### Pre-tax

- Net Present Value ("NPV") discounted at 5% is **C\$778 million**
- Internal Rate of Return ("IRR") is **37.1%**
- Payback is 2.6 years

#### Post-tax

- NPV discounted at 5% is **\$508 million**
- IRR is **29.5%**
- Payback is 2.8 years

### Capital Cost and Operational Cost Estimate Fluctuations

The feasibility study relies upon capital and operating cost estimates developed in mid 2016. Input parameters, including, but not limited to, labour, equipment, fuel and other consumables and exchange rates are subject to change which may in turn lead to material fluctuations in capital and operating costs. Further risks to the Capital Cost and Operational Cost Estimates may be found in the Risks and Uncertainties section of this Management Discussion and Analysis.

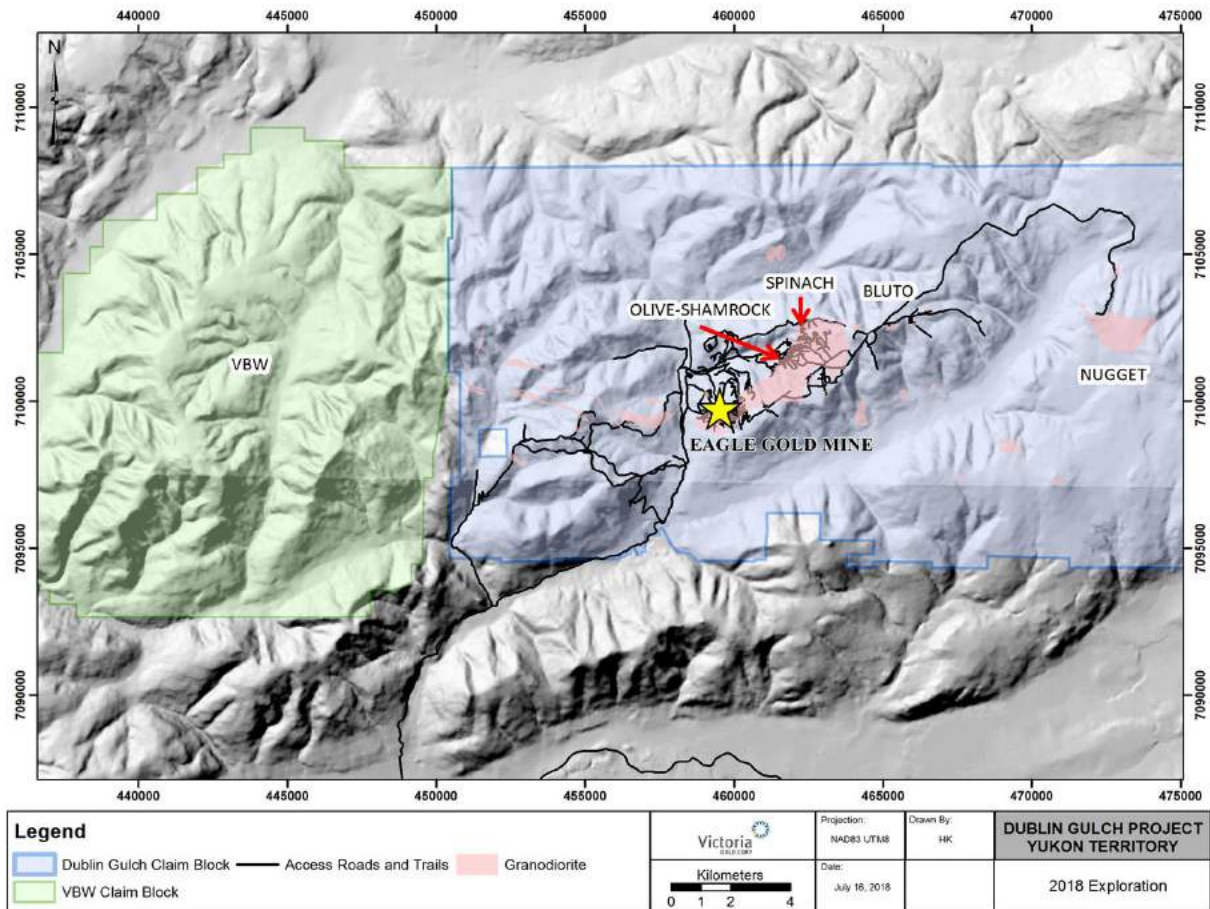
**b) Recently Completed Activities**

**Exploration**

On July 18, 2018, the Company announced that the 2018 Dublin Gulch exploration campaign was well underway. This season’s exploration activities were supported by satellite camps that were built to allow exploration to proceed without impacting on-going construction of the Eagle Gold Mine.

The Dublin Gulch exploration campaign included two diamond drills and associated heavy equipment. Exploration concentrated on the Olive-Shamrock, Bluto, Nugget and VBW targets and included mapping, prospecting, surface trenches, soils geochemistry, geophysical surveys and diamond drilling. The map below displays 2018 exploration targets.

As of the date of this document, the 2018 Dublin Gulch exploration field work has been completed.



**Eagle Gold Mine Construction (including updates from May 2018 and September 2018)**

On May 24, 2018, the Company announced a construction update for the Eagle Gold Mine, Yukon, Canada. Full construction commenced March 15, 2018 with first gold pour scheduled for the second half of calendar 2019.

**Engineering**

Significant ramp up of engineering activities occurred during March and April 2018 with overall engineering reaching approximately 65% complete as at May 24, 2018. Engineering activities focused on Issued For Construction (“IFC”) drawings for concrete site works, power transmission and schedule driven deliverables based on fabrication and equipment delivery schedules.

### **Procurement**

Total Project commitments were nearly C\$200 million with C\$55 million incurred cost as at May 24, 2018. The 2016 Feasibility Study construction capital plus year one sustaining capital was estimated at C\$411 million, and the revised construction capital estimate was finalized at C\$442 million. The decision to purchase all new, as opposed to used, major mobile equipment (to improve operational efficiency and take advantage of attractive pricing) as well as inflationary increases in pricing across the Project were main drivers for this capital increase. All major long lead items have been procured, materially reducing the risk of schedule delays for construction completion toward first gold pour.

Primary mobile mining equipment started arriving at site in June 2018 with crushers to follow in the Fall of this year.

### **Site Construction**

Major earthworks are well underway on site and are focused on the crushing plant, gold recovery plant and heap leach facility preparation. Concrete contracts have been awarded and casting of foundations for the crushing and gold recovery facilities will start towards the end of July 2018. The camp has been expanded to accommodate a capacity of approximately 450 persons and final occupancy permits are expected in August 2018.

Total on-site construction work exceeded 185,000 hours as at May 24, 2018. A strong health, safety and environmental program and culture has been established at site as witnessed by no lost time accidents.

### **Permitting**

Pursuant to the Company's Water License, Victoria is required to submit a number of post licensing submissions for Review and Approval as a condition of license. Earlier this year, the Company made submission of the revised heap leach facility design and 3 plans requiring Review and Approval under the existing Water License. On May 14, 2018 the Company received a letter from the Water Board stating these plans, as revised, are sufficient in nature to require an amendment to the license rather than being captured under the Review and Approval process outlined in the existing license. The Company believes all technical information required to satisfy the amendment requirements has already been submitted and the Company submitted the amendment application in June 2018.

*On September 19, 2018*, the Company announced a construction update for the Eagle Gold Mine Project, Yukon, Canada. Full construction commenced March 15, 2018 with first gold pour scheduled for the second half of calendar 2019.

### **Engineering**

Overall engineering is now approximately 89% complete and the remaining engineering work is not critical to meet the operations schedule. Engineering remains on track to be substantially complete in October 2018, save for minor engineering support for the remainder of construction through mechanical completion.

### **Procurement**

Total project commitments through the end of August 2018 was C\$304 million with C\$178 million incurred cost. To date, approximately C\$129 million in commitments have been awarded to Yukon based or First Nation partnered companies.

Procurement remains on track with all major procurement packages now complete. All major long lead items have been procured, materially reducing the risk of schedule delays for construction completion and first gold pour in H2 2019. The majority of remaining procurement packages carry short (<8 week) lead-times and enough float that they do not impact the construction schedule.

Primary mobile mining equipment has been delivered to site. Both CAT 6040 front shovels and six of eleven CAT 785 haul trucks have been assembled and commissioned. The balance of the haul truck fleet is in active assembly with the remaining truck boxes currently on route to site.

Major crushing equipment for the primary, secondary and tertiary crushers are all in transit with the majority of equipment now in country and continually being delivered to site.

The overland conveyor and mobile conveying equipment for the coarse ore stock pile and heap leach facility are currently in manufacturing as are major components of the gold recovery plant.

### Site Construction

Total on-site construction work to date exceeds 540,000 hours. There are approximately 380 construction personnel current at site and will reach 430 people in the coming weeks. A strong health, safety and environmental program and culture have been established at site. The Total Recordable Incident Frequency and Lost-Time Incident Frequency Rate were 2.01 and 0.40 respectively as of August 31, 2018.

Major earthworks are well advanced on site. The crusher, gold plant and on-site access road earthworks are substantively complete with only minor work remaining in these areas. The heap leach facility earthworks (including the embankment, pad area and event pond) are advancing well and currently slightly ahead of schedule. This has enabled an early start to liner placement on the heap leach pad which began in early September with nearly 10,000 m<sup>2</sup> of the heap leach pad now covered.

Structural concrete emplacement is well advanced and major concrete for the gold and crushing plants are scheduled to be complete by the end of October. Structural steel deliveries have started arriving at site and steel erection at the gold plant has begun.

The power line right of way has been cleared, poles have been delivered and pole placement is set to begin shortly.

### c) Outlook

Outlook includes forward-looking statements which are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. See page 1 "FORWARD-LOOKING STATEMENTS".

The Company will continue with the construction of the Eagle Mine with the short-term focus on: earthworks, completion of concrete work and completion of steel erection.

The technical content of Victoria's MD&A has been reviewed and approved by Tony George, P.Eng., and Paul D. Gray, P. Geo., the Company's Qualified Persons as defined by National Instrument ("NI") 43-101.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from the Company's condensed consolidated interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), for each of the quarters ended August 31.

### Selected Quarterly Information ended August:

	2018	2017	2016
Total revenues	\$ -	\$ -	\$ -
Net loss/(income) for the quarter	\$ (5,683,715)	\$ 2,232,960	\$ 563,589
Net loss/(income) per share for the quarter – basic and diluted	\$ (0.007)	\$ 0.004	\$ 0.001
Net loss/(income) year to date	\$ (1,425,096)	\$ 3,129,337	\$ 1,460,056
Net loss/(income) per share year to date – basic and diluted	\$ (0.002)	\$ 0.006	\$ 0.004
Total assets	\$ 375,109,355	\$ 206,250,607	\$ 188,913,224
Total non-current liabilities	\$ 21,563,800	\$ 2,210,396	\$ 959,136

## RESULTS OF OPERATIONS

### Quarters ended August 31, 2018 and 2017

The Company reported a gain of \$5,683,715 (\$0.007 per share) for the quarter ended August 31, 2018, compared to a loss of \$2,232,960 (\$0.004 per share) in the equivalent period during the previous year. The increased income year over year is the result of decreased legal and accounting and consulting charges resulting from decreased usage, in addition to changes in fair value of derivative instruments.

VARIANCE ANALYSIS	3 MONTHS ENDED AUG 31, 2018	3 MONTHS ENDED AUG 31, 2017	2018 VS 2017 VARIANCE HIGHER/(LOWER)
Operating expenses			
Salaries and benefits	\$ 683,009	\$ 430,183	\$ 252,826
Office and administrative	347,652	130,899	216,753
Share-based payments	159,289	242,782	(83,493)
Marketing	82,991	206,319	(123,328)
Legal and accounting	70,351	323,239	(252,888)
Consulting	42,073	206,393	(164,320)
Amortization	1,193	1,222	(29)
Foreign exchange loss/ (gain)	(83,016)	725,030	(808,046)
	<b>1,303,542</b>	<b>2,266,067</b>	<b>(962,525)</b>
Finance (income)/costs			
Unwinding of present value discount: ARO	21,176	5,251	15,925
Interest and bank charges	15,178	11,150	4,028
Interest income	(373,596)	(115,359)	(258,237)
Loss/(gain) on fair value of marketable securities	(643)	65,851	66,494
Loss/(gain) on fair value of derivative instrument	(6,649,372)	-	(6,649,372)
	<b>(6,987,257)</b>	<b>(33,107)</b>	<b>(6,954,150)</b>
Net (gain)/loss for the period	<b>(5,683,715)</b>	<b>2,232,960</b>	<b>(7,916,675)</b>

During the quarter ended August 31, 2018, the Company reported Salaries and benefits of \$683,009 versus \$430,183 for the previous year's comparable period. The increase is a result of personnel additions and allocations associated with ramping up activities for Eagle Mine construction. Office and administrative costs are \$216,753 higher than the prior year due to higher usage. Share-based payments were \$159,289 versus \$242,782 for the previous year's comparable period. The decrease in Share-based payments is due to the number, value and timing of employee option issuances. Marketing expenses decreased (\$123,328 lower) from the prior year due to a reduced marketing program in 2018. Legal and accounting is \$252,888 lower as a result of financing related activities. Consulting (\$164,320 lower) costs have decreased due to decreased usage of general corporate consulting assistance services. The Company reported a gain on foreign exchange during the quarter ended August 31, 2018 of \$83,016 compared to a loss of \$725,030 in the previous year due to fluctuations in the Canadian and US exchange rate. During the quarter ended August 31, 2018, the Company reported a gain in the fair value of marketable securities of \$643 compared to a loss of \$65,851 in the previous year. During the quarter ended August 31, 2018, the Company reported a gain in the fair value of derivative instruments of \$6,649,372 compared to \$nil in the previous year. Zero-cost collar contributed a gain of \$4.3M, gold calls contributed a \$1.8M gain and a gain of \$0.5M on warrants for the three months ended August 31, 2018. The increase in interest income for the quarter is a result of higher returns earned on higher average cash balances year over year.

VARIANCE ANALYSIS	YTD 2018	YTD 2017	2018 VS 2017 VARIANCE HIGHER/(LOWER)
Operating expenses			
Salaries and benefits	\$ 1,132,391	\$ 941,143	\$ 191,248
Office and administrative	540,278	300,682	239,596
Share-based payments	278,435	567,650	(289,215)
Marketing	218,748	396,846	(178,098)
Legal and accounting	96,511	498,266	(401,755)
Consulting	2,603,832	305,593	2,298,239
Amortization	2,145	2,445	(300)
Foreign exchange loss/ (gain)	(1,819,547)	469,812	(2,289,359)
	<b>3,052,793</b>	<b>3,482,437</b>	<b>(429,644)</b>
Finance (income)/costs			
Unwinding of present value discount: ARO	34,092	10,569	23,523
Interest and bank charges	25,288	12,021	13,267
Interest income	(684,883)	(256,098)	(428,785)
Loss/(gain) on fair value of marketable securities	198,713	(119,592)	318,305
Loss/(gain) on fair value of derivative instruments	(4,051,099)	-	(4,051,099)
	<b>(4,477,889)</b>	<b>(353,100)</b>	<b>(4,124,789)</b>
(Income)/Loss for the period	<b>(1,425,096)</b>	<b>3,129,337</b>	<b>4,554,433</b>

During the six months ended August 31, 2018, the Company reported Salaries and benefits of \$1,132,391 versus \$941,143 for the previous year's comparable period. The increase is a result of adding personnel associated with ramping up development activities for Eagle construction. Office and administrative costs are \$239,596 higher than the prior year primarily as a result of increased usage. Share-based payments were \$278,435 versus \$567,650 for the previous year's comparable period. The decrease in Share-based payments is due to the number, value and timing of employee option issuances and the vesting schedule. Marketing expenses decreased (\$178,098 lower) over the prior year due to a reduced marketing program. Legal and accounting is \$401,755 lower primarily as a result of financing activities. Consulting (\$2,298,239 higher) costs have increased due to usage of general corporate consulting assistance services, financing consultants and a break fee for a previously announced uncompleted commercial debt package transaction. The Company reported a gain on foreign exchange during the six months ended August 31, 2018 of \$1,819,547 compared to a loss of \$469,812 in the previous year due to fluctuations in the Canadian and US exchange rate. During the six months ended August 31, 2018, the Company reported a loss in the fair value of marketable securities of \$198,713 compared to a gain of \$119,592 in the previous year. During the six months ended August 31, 2018, the Company reported a gain in the fair value of derivative instruments of \$4,051,099 compared to \$nil in the previous year. Zero-cost collar contributed a gain of \$0.9M, gold calls contributed a \$2.6M gain, while the warrants had a \$0.5M gain for the six months ended August 31, 2018. The increase in interest income for the period is a result of higher returns earned on cash balances year over year.

Total assets increased by \$175.4 million from \$199.7 million to \$375.1 million during the period from March 1, 2018 to August 31, 2018. Current assets increased by \$51.2 million (see "Liquidity and Capital Resources" herein), Deferred financing fees increased \$4.9 million and Restricted cash increased \$1.5 million as a result of the announced financing package. Property, plant and equipment, net of advances and deposits increased by \$250.9 million due to the early works program and camp expansion and transfer from resource properties. Resource properties decreased by \$133.1 million due to the transfer of Eagle construction in progress, partially offset by continued exploration and development expenditures. Total liabilities, primarily accounts payable and accrued liabilities and long-term debt increased \$64.6 million due to increased construction and exploration and development activities on the Dublin Gulch property.



**Summary of Unaudited Quarterly Results:**

	31 AUG 18	31 MAY 18	28 FEB 18	30 NOV 17
Total Revenues	\$ -	\$ -	\$ -	\$ -
Loss (income)	\$ (5,683,715)	\$ 4,258,619	\$ (350,777)	\$ 399,623
Loss (income) per share – basic and diluted	\$ (0.007)	\$ 0.007	\$ (0.001)	\$ 0.001

	31 AUG 17	31 MAY 17	28 FEB 17	30 NOV 16
Total Revenues	\$ -	\$ -	\$ -	\$ -
Loss (income)	\$ 2,232,960	\$ 896,377	\$ (402,237)	\$ (324,392)
Loss (income) per share – basic and diluted	\$ 0.004	\$ 0.002	\$ (0.001)	\$ (0.001)

**LIQUIDITY AND CAPITAL RESOURCES**

At August 31, 2018, the Company had cash and cash equivalents of \$57,685,103 (February 28, 2018 - \$9,374,888) and a working capital surplus of \$10,748,442 (February 28, 2018 – \$4,812,992). The increase in cash and cash equivalents of \$48.3 million over the year ended February 28, 2018, was due to operating expenses and changes in working capital including foreign exchange gains (\$5.3 million decrease in cash) and investing activities (\$72.5 million increase in cash) from the receipt of the royalty sale, net of on-going exploration and development of the Company's resource properties partially offset by the issuance of shares (see Financing Activities section herein) and exercising of options (\$126.1 million increase in cash). The Company's future is currently dependent upon its ability to successfully complete additional financing arrangements, secure all necessary permits, its ability to fulfil its planned exploration and evaluation programs and upon future profitable production from its mineral properties, and the proceeds from the disposition of its mineral properties. The Company periodically seeks financing to continue the exploration and development, including construction, of its mineral properties and to meet its future administrative requirements. Although the Company has been successful in raising funds to date, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods.

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations as they come due for the foreseeable future.

The Company is in the process of advancing its mineral properties and the recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral property costs represent incurred costs to date and do not necessarily represent future values.

The Company holds the predominant amount of its cash in chequing and investment accounts at a major Canadian bank. The investment accounts predominantly invest in Government of Canada treasury bills.

**OPERATING ACTIVITIES**

During the six months ended August 31, 2018, operating activities, including non-cash working capital changes, required funding of \$5.7 million (as compared with the same period during the previous year that required funding of \$6.0 million). The year over year decrease in cash used by operating activities is due to decreased working capital changes partially offset by increased cash adjusted losses.

## RELATED PARTY TRANSACTIONS

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

The remuneration of directors and key management of the Company who are not independent for the six months ended August 31, 2018 and 2017 is outlined below.

	2018	2017
Salaries and other short term employment benefits	\$ 742,167	\$ 685,833
Share based compensation	\$ 197,838	\$ 394,799

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

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

	August 31, 2018	February 28, 2018
Outstanding, beginning of the period	\$ -	\$ -
Loans advanced	1,001,750	-
Loan repayments received	-	-
Interest charged	5,183	-
Interest received	-	-
Outstanding, end of the period	\$ 1,006,933	\$ -

## OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares without par value. As of October 25, 2018, the number of issued common shares was 777,946,166 (871,207,833 on a fully diluted basis).

As at October 25, 2018, there were 28,261,667 director, employee and consultant stock options outstanding with an exercise price ranging from \$0.12 to \$0.72 per share and expiring between January 10, 2019 and August 15, 2021. This represents approximately 3.6% of the issued and outstanding common shares. As at October 25, 2018, there were 65,000,000 warrants outstanding with an exercise price of \$0.40 and \$0.625 per share and with an expiration date of May 10, 2019 and April 13, 2023.

## RISK AND UNCERTAINTIES

### *Exploration and mining risks*

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

### *Financial capability and additional financing*

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development, including construction, of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to execute its business plan.

### ***Fluctuating prices***

Factors beyond the control of Victoria may affect (i) the ability of Victoria to raise additional capital and (ii) the marketability of any gold or any other minerals discovered. Among such factors is the prevailing price for natural resources, including gold, which prices may fluctuate widely and which are affected by numerous considerations beyond Victoria's control. The effect of these factors cannot accurately be predicted.

### ***Dependence on key personnel***

Many of Victoria's personnel are specialized, highly skilled and experienced. The Company's future exploration and development success will depend to a significant extent on its ability to attract and retain qualified personnel. While Victoria has not experienced any significant difficulties to date in attracting and retaining personnel, there can be no assurance that this will continue. The loss of key personnel could have a material adverse effect on the Company's operations and business prospects.

### ***Government regulations and permitting***

Victoria's exploration and development activities are subject to laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, mine development and protection of endangered and protected species, treatment of indigenous peoples and other matters. Each jurisdiction in which Victoria has properties regulates mining and mineral exploration activities. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms and conditions of existing permits and agreements applicable to Victoria or its properties, which could have a material and adverse effect on Victoria's current exploration and development activities. Where required, obtaining necessary permits can be a complex, time-consuming process and Victoria cannot provide assurance whether any necessary permits will be obtainable on acceptable terms, in a timely manner, or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Victoria from proceeding with the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

### ***Title***

The acquisition of title to mineral properties is a very detailed and time consuming process. Title to, and the area of, mineral concessions and claims may be disputed. While Victoria believes it has diligently investigated title to the mineral concessions and claims underlying its properties, Victoria cannot guarantee that title to any such properties will not be challenged, or that title to such properties will not be affected by an unknown title defect. Victoria has not surveyed the boundaries of all of its mineral properties and consequently the boundaries of the properties may be disputed.

### ***Estimates contained in production and cost guidance may not be achieved***

Victoria's estimates of future production, cash costs and capital costs for operations utilize certain assumed Canadian dollar to U.S. dollar foreign exchange rates. No assurance can be given that such estimates will be achieved. Many other factors may result in our failure to achieve our production estimates or materially increase our costs, either of which would have an adverse impact on our future cash flows, results of operations, and financial condition.

### ***Operations***

Victoria's operations are subject to operational risks and hazards inherent in the mineral exploitation, extraction and production industry, including, but not limited to:

- variations in grade
- deposit size
- geological problems, including earthquakes and other Acts of God
- density and other geological problems
- unusual or unexpected mineralogy or rock formations

- ground or slope failures
- unanticipated ground and water conditions
- hydrological conditions
- flooding or fires
- heap leach pad breaches or failures
- availability or interruption of power supply
- variation in recoveries, metallurgical and other processing challenges
- mechanical equipment performance problems
- periodic interruptions due to inclement or hazardous weather conditions or operating conditions and other force majeure events
- lower than expected ore grades or recovery rates
- accidents
- drill rig shortages
- the unavailability of materials and equipment including fuel
- labour force disruptions
- unanticipated transportation costs and shipment delays
- delays in receipt of or failure to receive necessary government permits
- the results of litigation, including appeals of agency decisions
- unanticipated regulatory changes
- unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum and labour
- the failure of equipment or processes to operate in accordance with specifications or expectations
- climate change impacts

These risks could result in damage to, or destruction of, our mine, crushing and processing facilities, resulting in partial or complete shutdowns, personal injury or death, environmental or other damage to our properties or the properties of others, delays in mining, reduced production, monetary losses and potential legal liability. Processing operations are subject to hazards, such as equipment failure or failure of retaining dams that may result in personal injury or death, environmental pollution and consequential liabilities.

Should any of these risks and hazards affect any of Victoria's exploration and development activities, it may cause delays or a complete stoppage in Victoria's exploration or development activities, which would have a material and adverse effect on the business of Victoria.

### ***Litigation risks***

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may become involved in legal disputes in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the solution of any particular legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

### ***Fair value of financial instruments***

The carrying values for primary financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate fair values due to their short-term maturities.

### ***Risk exposure is summarized as follows:***

(a) Credit risk

Certain of the Company's financial assets are exposed to a degree of credit risk. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents as cash deposits and short-term government treasury funds with major commercial banks.

Credit risk relating to accounts receivable and restricted cash arises from the possibility that any counterparty to an instrument fails to perform. The Company's accounts receivable relate to recoveries of HST. Restricted cash includes reclamation bonds. Reclamation bonds reflect non-interest bearing cash deposits held with governmental agencies representing the state of Nevada, and interest bearing certificates of deposit held by Wells Fargo and Bank of Nova Scotia. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of cash and cash equivalents, restricted cash and receivables. The maximum exposure is limited to amounts of cash and cash equivalents, restricted cash and receivables on the statement of financial position.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage. Accounts payables and accrued liabilities are due within the current operating period, from September 1, 2018 through November 30, 2018.

(c) Market risk

I. Interest rate risk

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

II. Foreign currency risk

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

III. Price risk

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

There has been no significant change in the risk factors affecting the Company on a period over period basis.

## CONTRACTUAL COMMITMENTS

The Company has no contractual commitments, other than leases on offices entered into in the normal course of business (*Note 14* of the accompanying condensed consolidated interim financial statements for the six months ended August 31, 2018). All mineral property agreement commitments are at the option of the Company and the Company can terminate the agreements prior to being required to make payments on the properties.

## FOREIGN EXCHANGE

The Company's US operations are denominated in USD, the functional currency of the US entities. The functional currency of all other entities is the Canadian dollar. The presentation currency of the Company is CAD. Accordingly, fluctuations in the exchange rates (USD/CAD) may impact the consolidated results of operations and the consolidated reported net assets. The effect of changes in currency fluctuations from the functional currency to the presentation currency on the operations' net assets is recorded in the Company's shareholders' equity as a cumulative translation adjustment.

## OFF-BALANCE SHEET TRANSACTIONS

During the most recent three months ended August 31, 2018, and up to the date of this report, the Company had no off-balance sheet transactions.

## CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING CHANGES

The Corporation's unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The significant accounting policies applied and recent accounting pronouncements are described in (*Note 3*) of the Corporation's consolidated financial statements for the year ended February 28, 2018. There have been no changes from the accounting policies applied in the February 28, 2018 financial statements, except as disclosed in *Note 3* of the accompanying unaudited interim condensed consolidated financial statements for the six month period ended August 31, 2018.

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 audited consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

### ***Impairment of assets***

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. No impairment indicators of non-financial assets have been noted for the quarters ended August 31, 2018 and 2017.

### ***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 exploration 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.

#### ***Stock-based compensation***

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

#### ***Income taxes and recovery of deferred tax assets***

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Management did not recognize deferred tax assets as future taxable profits are not expected until the Company reaches technical feasibility and commercial viability of the extraction of the mineral resources, the timing of which is uncertain as the Company is still in the exploration and evaluation stage.

#### ***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 we have 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.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, loan receivable, accounts payable and accrued liabilities and reclamation bonds. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The reclamation bonds are held with a state of Nevada governmental institution and the Government of Yukon and represent restricted cash, which will be returned to the Company upon the satisfactory completion of reclamation obligations. The reclamation bonds and certain of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are denominated in \$US leading to currency risk arising from fluctuations in the \$C and \$US exchange rate. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**"John McConnell"**

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John McConnell  
Chief Executive Officer & President

**"Marty Rendall"**

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Marty Rendall  
Chief Financial Officer