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# **Victory Metals Inc.**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED  
DECEMBER 31, 2020 AND 2019

*(Unaudited - Expressed in Canadian Dollars)*

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's external auditors have not performed a review of these condensed consolidated interim financial statements.

**Victory Metals Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
*(Unaudited - Expressed in Canadian Dollars)*

		December 31, 2020 \$	March 31, 2020 \$
	Note		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,810,497	1,664,164
Restricted cash	4	15,163,336	-
GST receivable		52,872	11,974
Prepaid expenses		57,160	98,394
<b>Total current assets</b>		17,083,865	1,774,532
<b>Non-current assets</b>			
Exploration and evaluation assets	3	8,016,418	7,627,016
Deposit		63,660	
Other assets	4	677,766	
<b>Total non-current assets</b>		8,757,844	7,627,016
<b>Total Assets</b>			
		25,841,709	9,401,548
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	158,493	124,897
<b>Total current liabilities</b>		158,493	124,897
<b>EQUITY</b>			
Share capital	5	39,657,875	37,440,172
Reserves	5	2,416,676	2,433,604
Subscription receipts	4	15,163,336	-
Subscriptions received in advance	4	499,161	-
Deficit		(32,053,832)	(30,597,125)
<b>Total equity</b>		25,683,216	9,276,651
<b>Total Equity and Liabilities</b>			
		25,841,709	9,401,548

**NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)**  
**SUBSEQUENT EVENTS (Note 11)**

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on February 26, 2021. They are signed on the Company's behalf by:

"Craig Roberts" , Director

"Doug Forster" , Director

**Victory Metals Inc.****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss***(Unaudited - Expressed in Canadian Dollars)*

		Three months ended		Nine months ended	
		December 31,		December 31,	
	Note	2020	2019	2020	2019
		\$	\$	\$	\$
<b>Expenses</b>					
Advertising		16,231	22,246	33,218	84,677
Consulting		60,000	69,000	154,800	209,000
Management and directors fees	6	667,032	240,379	1,155,265	1,255,759
Office and sundry		18,011	47,038	53,231	129,448
Professional fees		10,410	2,500	43,470	54,473
Share-based compensation	5, 6	-	-	-	331,406
Transfer agent and regulatory fees		6,004	10,687	12,933	45,075
Travel		-	16,788	-	87,733
<b>Loss from operating activities</b>		<b>(777,688)</b>	<b>(408,638)</b>	<b>(1,452,917)</b>	<b>(2,197,571)</b>
Foreign exchange gain (loss)		2,527	(10,377)	(3,790)	(39,709)
Interest income		-	12,814	-	48,677
<b>Loss and comprehensive loss for the period</b>		<b>(775,161)</b>	<b>(406,201)</b>	<b>(1,456,707)</b>	<b>(2,188,603)</b>
<b>Loss per share – basic and diluted (\$)</b>		<b>(0.01)</b>	<b>(0.00)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>96,102,546</b>	<b>90,457,501</b>	<b>92,790,227</b>	<b>89,812,173</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Victory Metals Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
*(Unaudited - Expressed in Canadian Dollars)*

	Nine months ended December 31,	
	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the period	(1,456,707)	(2,188,603)
Adjustments for:		
Interest income	-	(35,381)
Share-based compensation	-	331,406
Unrealized foreign exchange (gain) loss	-	42,178
	<u>(1,456,707)</u>	<u>(1,850,400)</u>
Change in non-cash working capital items:		
(Increase) decrease in GST receivable	(40,898)	10,536
(Increase) in prepaid expenses	(22,426)	(7,893)
Increase in accounts payable and accrued liabilities	23,181	15,535
Net cash used in operating activities	<u>(1,496,850)</u>	<u>(1,832,222)</u>
<b>Cash flows from investing activities</b>		
Expenditures on exploration and evaluation assets, net of recoveries	(476,075)	(4,776,813)
Acquisition costs	(274,706)	-
Restricted cash	(15,163,336)	-
Redemptions of short-term investments	-	1,000,000
Net cash used in investing activities	<u>(15,913,487)</u>	<u>(3,776,813)</u>
<b>Cash flows from financing activities</b>		
Issuance of common shares in private placements	2,200,000	4,118,000
Share issuance costs	(34,225)	-
Stock options exercised	35,000	-
Subscription receipts	15,163,336	-
Subscription receipt issuance costs	(306,602)	-
Subscriptions received in advance	499,161	-
Net cash from financing activities	<u>17,556,670</u>	<u>4,118,000</u>
<b>Net increase (decrease) in cash</b>	146,333	(1,491,035)
Cash at beginning of period	1,664,164	1,658,615
<b>Cash at end of period</b>	<u>1,810,497</u>	<u>167,580</u>

**SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Note 7)**

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Victory Metals Inc.**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
*(Unaudited - Expressed in Canadian Dollars)*

	<u>Share capital</u>		<u>Reserves</u>	Subscription receipts	Subscriptions received in advance	Deficit	Total equity
	Number of shares	Amount \$	Equity settled share-based payments \$				
Balance at March 31, 2019	84,717,800	33,322,172	2,102,198	-	-	(28,047,965)	7,376,405
Shares issued in private placement	6,146,268	4,298,900	-	-	-	-	4,298,900
Finders shares issued in private placement	270,000	(180,900)	-	-	-	-	(180,900)
Share-based compensation	-	-	331,406	-	-	-	331,406
Total comprehensive loss for the period	-	-	-	-	-	(2,188,603)	(2,188,603)
Balance at December 31, 2019	91,134,068	37,440,172	2,433,604	-	-	(30,236,568)	9,637,208
Total comprehensive loss for the period	-	-	-	-	-	(360,557)	(360,557)
Balance at March 31, 2020	91,134,068	37,440,172	2,433,604	-	-	(30,597,125)	9,276,651
Shares issued in private placement	5,500,000	2,200,000	-	-	-	-	2,200,000
Share issuance costs	-	(34,225)	-	-	-	-	(34,225)
Stock options exercised	100,000	51,928	(16,928)	-	-	-	35,000
Subscription receipts (note 4)	-	-	-	15,163,336	-	-	15,163,336
Subscriptions received in advance (note 4)	-	-	-	-	499,161	-	499,161
Total comprehensive loss for the period	-	-	-	-	-	(1,456,707)	(1,456,707)
Balance at December 30, 2020	96,734,068	39,657,875	2,416,676	15,163,336	499,161	(32,053,832)	25,683,216

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## **Victory Metals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

Victory Metals Inc. (the “Company”) was originally incorporated on October 20, 2000, under the Business Corporations Act in the province of Alberta and on May 25, 2012, the Company was continued as a British Columbia corporation under the Business Corporations Act in the province of British Columbia. The address of the Company’s registered office is Suite 2200 – 885 West Georgia Street, Vancouver, BC, Canada V6C 3E8.

The Company is a mineral exploration company engaged in the acquisition, exploration and evaluation of resource properties in Nevada, United States of America. The Company’s exploration and evaluation assets presently have no proven or probable reserves, and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable resources. The recoverability of amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These condensed consolidated interim financial statements (“financial statements”) have been prepared assuming the Company will continue on a going-concern basis and do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. As at December 31, 2020, the Company had an accumulated deficit of \$32,053,832 and equity of \$25,683,216. In addition, the Company has working capital of \$1,262,875, consisting primarily of cash and negative cash flow from operating activities of \$1,496,850. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These items may cast a significant doubt on the company’s ability to continue as a going concern.

On March 11, 2020, the World Health Organization declared the global outbreak of a novel coronavirus identified as “COVID-19” a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. Significant economic and social impacts have limited the Company’s ability to continue its exploration and evaluation activities as intended. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on February 26, 2021.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **a) Statement of compliance**

The Company’s condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as applicable to interim financial reports including International Accounting Standards 34 “Interim Financial Reporting”.

## Victory Metals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

These condensed consolidated interim financial statements do not include all the information and note disclosures required by IFRS for annual financial statements and should be read in conjunction with the annual financial statements for the year ended March 31, 2020, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”) and included in Part I of the Handbook of the Chartered Professional Accountants of Canada.

The policies applied in these condensed consolidated interim financial statements are the same as those applied in the most recent annual financial statements and were consistently applied to all the periods presented.

### b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary as follows:

	Place of Incorporation	Principal Activity
Brownstone Ventures (US) Inc.	Delaware, USA	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

### d) Significant Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments 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.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at period end 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 the following:



## **Victory Metals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(i) Critical accounting estimates**

- The valuation of share-based payments. The fair value of common share purchase options granted is determined at the issue date using the black-Scholes pricing model. The fair value of common shares issued for finders fees are based on the closing price of the transaction those fees pertain to.
- The net carrying value of each exploration and evaluation asset is reviewed regularly for conditions that suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

#### **(ii) Critical accounting judgments**

- Presentation of the condensed consolidated interim financial statements as a going concern which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary company, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. Management has determined that there were no indicators of impairment as at December 31, 2020.

### **3. EXPLORATION AND EVALUATION ASSETS**

The schedules below summarize the carrying costs of acquisition and exploration costs incurred to date for each exploration and evaluation asset that the Company is continuing to explore as at December 31, 2020 and March 31, 2020:

**Victory Metals Inc.**

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)***3. EXPLORATION AND EVALUATION ASSETS (continued)**

	Iron Point (i)	Other (ii)	Total
	\$	\$	\$
<b>Nine months ended December 31, 2020</b>			
<b>Acquisition Costs</b>			
Balance as at March 31, 2020	988,701	-	988,701
Additions			
Land claim payments and acquisition costs	104,461	-	104,461
Balance as at December 31, 2020	1,093,162	-	1,093,162
<b>Exploration Costs</b>			
Balance as at March 31, 2020	6,638,315	-	6,638,315
Environmental	26,059	-	26,059
Exploration	9,047	-	9,047
Metallurgy	208,415	-	208,415
Resource estimate	12,903	-	12,903
Other	28,517	-	28,517
Balance as at December 31, 2020	6,923,256	-	6,923,256
<b>Total Exploration and Evaluation Assets</b>			
Balance as at December 31, 2020	8,016,418	-	8,016,418
<b>Year ended March 31, 2020</b>			
<b>Acquisition Costs</b>			
Balance as at March 31, 2019	855,023	16,561	871,584
Additions			
Land claim payments and acquisition costs	133,678	102,046	235,724
Disposals			
Sale of exploration and evaluation assets	-	(118,607)	(118,607)
Balance as at March 31, 2020	988,701	-	988,701
<b>Exploration Costs</b>			
Balance as at March 31, 2019	2,228,345	-	2,228,345
Drilling	3,298,841	-	3,298,841
Environmental	167,569	-	167,569
Exploration	125,989	-	125,989
Geochemistry	74,258	-	74,258
Geological information systems and mapping	15,537	-	15,537
Metallurgy	496,003	-	496,003
Resource estimate	100,782	-	100,782
Reclamation	8,803	-	8,803
Staking	1,797	3,992	5,789
Other	120,391	-	120,391
Sale of exploration and evaluation assets	-	(3,992)	(3,992)
Balance as at March 31, 2020	6,638,315	-	6,638,315
<b>Total Exploration and Evaluation Assets</b>			
Balance as at March 31, 2020	7,627,016	-	7,627,016

**(i) Iron Point Project**

As at December 31, 2020, the Company owns 730 unpatented lode claims (March 31, 2020 – 730) located in the Iron Point mining district, in Humboldt County, Nevada (USA).

## Victory Metals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. EXPLORATION AND EVALUATION ASSETS (continued)

On October 10, 2018, the Company entered into an option agreement with a third party to earn 100% interest in one unpatented Claim (Silver Coin). The Company agreed to the following payments:

Payment due date	Amount \$
Five days from October 10, 2018 (paid)	64,695 (US\$50,000)
October 24, 2019 (paid)	65,660 (US\$50,000)
October 24, 2020 (paid)	67,015 (US\$50,000)
October 24, 2021	190,980 (US\$150,000)

On October 24, 2018, the Company entered into an option agreement with Canarc Resources Corp. to earn 100% interest in four patented Claims (Silver King). The Company agreed to grant a 2% NSR upon commencement of commercial production for minerals from these claims and the following payments:

Payment due date	Amount \$
Five days from October 24, 2018 (paid)	15,725 (US\$12,000)
October 24, 2019 (paid)	15,593 (US\$12,000)
October 24, 2020 (paid)	16,084 (US\$12,000)
October 24, 2021	15,278 (US\$12,000)
October 24, 2022	15,278 (US\$12,000)
October 24, 2023	15,278 (US\$12,000)
October 24, 2024	15,278 (US\$12,000)
October 24, 2025	15,278 (US\$12,000)
October 24, 2026	15,278 (US\$12,000)
October 24, 2027	15,278 (US\$12,000)
October 24, 2028	152,784 (US\$120,000)

The Company has the option of purchasing half of this 2% NSR for \$1,362,800 (US\$1,000,000).

On May 16, 2019, the Company entered into an option agreement (the "Agreement") with Ethos Gold Corp. ("Ethos), a company with a director in common, whereby Ethos can spend \$5,000,000 over three years, with minimum expenditures of \$1,000,000 in the first year, which was spent prior to the end of the first anniversary of the Agreement, to earn an undivided 50% interest in the precious metals rights at the Iron Point Vanadium Project, Nevada. Once Ethos has incurred \$5,000,000, a 50%/50% joint venture will be formed between the Company and Ethos, specific to the precious metals rights.

During the nine months ended December 31, 2020, the Agreement was amended whereby Ethos can spend \$5,000,000 over five years with expenditures in an aggregate amount equal to at least US\$250,000 each year over the term of the Agreement.

#### (ii) Other Projects

The Company did not dispose of any exploration and evaluation assets during the nine months ended December 31, 2020.

During the year ended March 31, 2020, the Company recognized a gain on disposal of certain other Nevada, USA exploration and evaluation assets of \$10,407. The Company received total cash proceeds of \$133,006 and derecognized exploration and evaluation assets at their carrying value of \$122,599.

The Company retained a 1% NSR on the project which can be repurchased by the buyer for US\$500,000.

## Victory Metals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

#### 4. ACQUISITION OF NEVADA KING MINING LTD.

On December 14, 2020, Victory Metals Inc. (“Victory Metals”) entered into a definitive arrangement agreement (the “Agreement”) with Nevada King Mining Ltd. (“Nevada King”). Pursuant to the Agreement, the Company will acquire all of the issued and outstanding common shares of Nevada King by way of statutory plan of arrangement (the “Arrangement”) whereby all of the outstanding common shares of Nevada King will be exchanged for common shares of Victory Metals. The shareholders of Nevada King will hold 50% of the issued and outstanding common shares of Victory Metals following completion of the Arrangement (the “Exchange Ratio”).

The completion of the Arrangement is subject to the completion of a minimum \$8 million non-brokered private placement (the “Private Placement”) by Victory Metals. The Private Placement will be conducted on a post-Arrangement basis and, as such, the common shares of the resulting issuer to be issued to subscribers of the Private Placement will not be considered in the calculation of the Exchange Ratio. Palisades Goldcorp Ltd. (“Palisades”), a major shareholder of both Nevada King and Victory Metals, has committed to subscribe for any portion of the Private placement that is not taken up by other investors. The completion of the Arrangement is also subject to approval of the Agreement by the shareholders of Nevada King, approval of the issuance of Victory Metals shares to the Nevada King shareholders and certain other matters by the shareholders of Victory Metals, court approval and approval of the TSX Venture Exchange.

On December 23, 2020, Victory Metals completed the first tranche of the Private Placement of 27,569,702 subscription receipts at a price of \$0.55 per subscription receipt for aggregate gross proceeds of \$15,163,336. Each subscription receipt entitles the holder to receive one post-Arrangement share of Victory Metals immediately after closing of the Arrangement. Proceeds of the Private Placement are held in escrow pending the completion of the Arrangement. If the Arrangement is not completed before April 16, 2021, the subscription receipts will be deemed to be cancelled and the holders of the subscription receipts will receive a cash amount equal to the aggregate subscription price of their subscription receipts and any interest that was earned on the subscription price.

As at December 31, 2020, Victory Metals received \$499,161 in advance of the second tranche of the Private Placement. See Subsequent Events (Note 11) for further information.

As at December 31, 2020, other assets consists of the following:

	December 31, 2020	March 31, 2020
	\$	\$
Share issuance costs in connection with the Private Placement	315,744	-
Costs incurred in connection with the Agreement	362,022	-
Other assets	677,766	-

Upon completion of the Arrangement, share issuance costs in connection with the Private Placement will be netted against the proceeds of common shares issued and costs incurred in connection with the Agreement will be recorded as transaction costs. In the event the Arrangement is not completed, other assets will be recorded as an expense.

#### 5. SHARE CAPITAL AND RESERVES

##### *Authorized Share Capital*

At December 31, 2020, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

## Victory Metals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

#### 5. SHARE CAPITAL AND RESERVES (continued)

##### *Details of Issues of Common Shares in fiscal 2021*

On October 8, 2020, the Company completed a non-brokered private placement financing of 5,000,000 common shares at a price of \$0.40 per share for gross proceeds of \$2,000,000. The Company recorded \$20,388 of share issuance costs in connection with the private placement financing.

On October 29, 2020, the Company completed a non-brokered private placement financing of 500,000 common shares at a price of \$0.40 per share for gross proceeds of \$200,000. The Company recorded \$13,837 of share issuance costs in connection with the private placement financing.

During the nine months ended December 31, 2020, 100,000 stock options were exercised at a price of \$0.35 per share for gross proceeds of \$35,000.

##### *Details of Issues of Common Shares in fiscal 2020*

On October 24, 2019, the Company completed a non-brokered private placement financing of 746,268 common shares at a price of \$0.67 per share for gross proceeds of \$500,000.

On May 28, 2019, the Company completed a non-brokered private placement financing of 5,400,000 common shares at a price of \$0.67 per share for gross proceeds of \$3,618,000. The Company paid finder's fees of 270,000 common shares valued at \$180,900 to certain finders in connection with the private placement financing.

##### *Share Purchase Option Compensation Plan*

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX-V. Share purchase options granted generally vest immediately, and are subject to a four-month hold period and are generally exercisable for a period of up to five years.

The continuity of share purchase options for the nine months ended December 31, 2020 is as follows:

Expiry date	Exercise Price	March 31, 2020	Granted	Exercised	Cancelled/ Expired	December 31, 2020	Options exercisable
January 31, 2021	\$0.35	2,500,000	-	(100,000)	-	2,400,000	2,400,000
February 5, 2021	\$0.35	70,000	-	-	-	70,000	70,000
January 31, 2024	\$0.35	5,900,000	-	-	-	5,900,000	5,900,000
June 17, 2024	\$0.63	560,000	-	-	-	560,000	560,000
		9,030,000	-	-	-	8,930,000	8,930,000
Weighted average exercise price \$		0.37	-	0.35	-	0.37	0.37
Weighted average contractual remaining life (years)		3.01	-	-	-	2.28	2.28

## Victory Metals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

#### 5. SHARE CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the nine months ended December 31, 2019 is as follows:

Expiry date	Exercise Price	March 31, 2019	Granted	Exercised	Cancelled/ Expired	September 30, 2019	Options exercisable
January 31, 2021	\$0.35	2,500,000	-	-	-	2,500,000	2,500,000
February 5, 2021	\$0.35	70,000	-	-	-	70,000	70,000
January 31, 2024	\$0.35	5,900,000	-	-	-	5,900,000	5,900,000
June 17, 2024	\$0.63	-	560,000	-	-	560,000	560,000
		8,470,000	560,000	-	-	9,030,000	9,030,000
Weighted average exercise price \$		0.35	0.63	-	-	0.37	0.37
Weighted average contractual remaining life (years)		3.93	4.72	-	-	3.26	3.26

The Company did not have any warrants outstanding as at December 31, 2020 (March 31, 2020 – Nil).

The weighted average fair value of share purchase options granted during the nine months ended December 30, 2020 is \$Nil (December 31, 2019 - \$0.59).

The weighted average fair value of share purchase options exercised during the nine months ended December 31, 2020 is \$0.17 (December 31, 2019 - \$Nil).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Nine months ended December 31,	
	2020	2019
Risk-free interest rate	-	1.34%
Expected option life in years	-	5.0
Expected share price volatility	-	166%
Grant date share price	-	\$0.63
Expected forfeiture rate	-	-
Expected dividend yield	Nil	Nil

#### 6. RELATED PARTY BALANCES AND TRANSACTIONS

##### *Key management personnel compensation*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

During the nine months ended December 31, 2020, key management personnel compensation totaled \$1,155,266 (nine months ended December 31, 2019 - \$1,436,257) comprised of management fees and bonuses of \$1,065,266 (nine months ended December 31, 2019 – \$1,165,759) paid to the Chief Financial Officer and companies controlled by the Company's Chief Executive Officer and Executive Chairman, \$90,000 (nine months ended December 31, 2019 – \$90,000) paid to directors and share-based compensation of \$Nil (nine months ended December 31, 2019 - \$180,498) relating to Nil (nine months ended December 31, 2019 – 305,000) stock options granted to directors and officers of the Company.

## Victory Metals Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars Unless Otherwise Noted)

#### 6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Under the terms of their management agreements, certain officers of the Company are entitled to 18 months of base pay in the event of their agreements being terminated without cause.

#### 7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Nine months ended December 31,	
	2020	2019
	\$	\$
Non-cash investing and financing activities:		
Shares issued as finders fees on private placements	-	180,900
Exploration and evaluation expenditures included in accounts payable and accrued liabilities	26,589	175,032
Other assets included in accounts payable and accrued liabilities	97,088	
Cash paid for income taxes	-	-
Cash paid for interest	-	-

For the nine months ended December 31, 2020, cash paid for income taxes and interest were \$Nil (nine months ended December 31, 2019 - \$Nil).

#### 8. SEGMENTED INFORMATION

The Company's operations are limited to a single reportable segment, being mineral exploration and evaluation. All of the Company's evaluation and exploration assets are located in Nevada, USA.

#### 9. FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

##### (a) Fair Values

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have financial instruments carried at fair value.

The Company's financial assets consist of cash, restricted cash and GST receivable. The carrying values of cash, restricted cash and GST receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

## **Victory Metals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **9. FINANCIAL INSTRUMENTS (continued)**

#### **(b) Financial Instrument Risk Exposure**

##### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company does not have financial instruments that potentially subject the Company to credit risk. Overall the Company's credit risk has not changed significantly from the prior year. The Company places its cash with financial institutions with high credit ratings, thus the credit risk is minimal.

##### ***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 has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to fund exploration programs and may require doing so again in the future. The Company has \$158,493 in accounts payable and accrued liabilities that are due within one year of the date of the statement of financial position.

##### ***Market risk***

###### ***(i) Currency risk***

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuation include cash accounts and accounts payable and accrued liabilities denominated in US dollars. The sensitivity of the Company's profit or loss to a change in the exchange rate between the United States dollar and the Canadian dollar at December 31, 2020 would change the Company's loss by \$95,969 as a result of a 10% change in the CAD dollar exchange rate relative to the US dollar.

###### ***(ii) Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is not exposed to interest rate risk.

###### ***(iii) Price risk***

Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly vanadium. Commodity prices, especially vanadium, greatly affect the value of the Company and the potential value of its property and investments.



## **Victory Metals Inc.**

Notes to the Condensed Consolidated Interim Financial Statements

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### **10. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- To safeguard our ability to continue as a going concern in order to develop and operate our current projects;
- Pursue strategic growth initiatives; and
- To maintain a flexible capital structure which lowers the cost of capital.

In assessing our capital structure, we include in our assessment the components of equity. In order to facilitate the management of capital requirements, the Company prepares annual expenditure budgets and continuously monitors and reviews actual and forecasted cash flows. The annual and updated budgets are monitored and approved by the Board of Directors. To maintain or adjust the capital structure, the Company may, from time to time, issue new shares, issue new debt, repay debt or dispose of non-core assets. The Company's current capital resources are insufficient to carry out our exploration plans and support operations through the current operating period. The Company is dependent upon the ability to raise additional funding to meet its obligations and commitments.

The Company is not subject to any capital requirements imposed by any regulator.

There were no changes in the Company's approach to capital management during the nine months ended December 31, 2020.

### **11. SUBSEQUENT EVENTS**

#### *Private Placement Financing*

On January 18, 2021, the Company completed the second and final tranche of a non-brokered private placement financing (the "Private Placement") of subscription receipts. In connection with the second and final tranche of the Private Placement, the Company issued 5,237,200 subscription receipts at a price of \$0.55 per subscription receipt for gross proceeds of \$2,880,460.

#### *Stock Options Exercised*

Subsequent to December 31, 2020, 2,400,000 stock options were exercised at a price of \$0.35 per share for gross proceeds of \$840,000.

#### *Stock Options Expired*

Subsequent to December 31, 2020, 70,000 stock options with an exercise price of \$0.35 per share expired.