

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared By Management)
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED AUGUST 31, 2020 AND 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	August 31, 2020	February 29, 2020
ASSETS		
Current assets		
Cash	\$ 818,632	\$ 38,620
Amounts receivable	1,560	56,089
GST receivable	25,578	12,011
Prepaid expenses	178,056	37,314
Deposits (Note 4)	80,000	230,000
Loans receivable (Note 4)	301,376	-
Total current assets	1,405,202	374,034
Non-current assets		
Long-term investments (Note 4)	765,054	1,385,322
Right-of-use asset (Note 3)	151,512	165,716
Reclamation deposit	3,050	3,050
Exploration and evaluation assets (Note 5)	160,001	10,001
Total non-current assets	1,079,617	1,564,089
Total assets	\$ 2,484,819	\$ 1,938,123
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 185,960	\$ 234,292
Due to related parties (Note 7)	840	11,647
Current portion of lease liability (Note 3)	30,672	30,672
Total current liabilities	217,472	276,611
Lease liability (Note 3)	129,144	135,996
Total liabilities	346,616	412,607
Shareholders' equity		
Capital stock (Note 8)	32,283,799	30,131,721
Reserves (Note 8)	893,775	806,175
Deficit	(31,039,371)	(29,412,380)
Total shareholders' equity	2,138,203	1,525,516
Total liabilities and shareholders' equity	\$ 2,484,819	\$ 1,938,123

Nature of operations and going concern (Note 1)

Segmented information (Note 9)

Subsequent events (Note 13)

Approved and authorized on behalf of the Board of Directors on October 19, 2020.

"Glen Harder"

Director

"David Lane"

Director

VICTORY RESOURCES CORPORATION**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

FOR THE SIX MONTHS ENDED AUGUST 31,

	Three Months Ended August 31, 2020	Three Months Ended August 31, 2019	Six Months Ended August 31, 2020	Six Months Ended August 31, 2019
EXPENSES				
Advertising and promotion	\$ 169,165	\$ 281,640	\$ 198,473	\$ 347,691
Amortization of right-of-use asset (Note 3)	7,102	-	14,204	-
Consulting	307,780	11,640	360,280	109,691
Interest income	(16,037)	-	(46,703)	-
Interest on lease liability (Note 3)	1,945	-	3,959	-
Management and directors fees (Note 7)	24,000	24,000	48,000	48,000
Office and administration (Note 7)	51,258	12,149	76,175	33,126
Professional fees (Note 7)	75,577	68,287	99,977	100,880
Transfer agent and filing fees	11,692	13,811	14,726	21,501
Travel	-	8,137	-	79,076
Realized loss on long-term investments (Note 4)	337,763	-	337,763	-
Unrealized loss on long-term investments (Note 4)	461,332	(67,533)	520,137	(54,870)
Net loss and comprehensive loss for the period	\$ (1,431,577)	\$ (351,540)	\$ (1,626,991)	\$ (684,472)
Basic and diluted loss per common share	\$ (0.06)	\$ (0.04)	\$ (0.07)	\$ (0.07)
Weighted average number of common shares outstanding – basic and diluted	24,490,228	9,720,059	21,907,655	9,713,076

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

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED AUGUST 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,626,991)	\$ (684,472)
Items not affecting cash:		
Accrued interest income	(87,632)	-
Amortization of right-of-use asset	14,204	-
Realized loss on long-term investments	520,137	-
Unrealized (gain) loss on long-term investments	337,763	(54,870)
Changes in non-cash working capital:		
Prepaid expenses	(140,742)	(14,443)
Amounts receivable	40,962	34,596
Accounts payable and accrued liabilities	(48,332)	40,347
Net cash used in operating activities	<u>(990,631)</u>	<u>(678,842)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts received from related parties	(10,807)	-
Proceeds from private placements	2,142,625	6,600
Share issuance costs	(23,747)	-
Subscriptions received	20,800	-
Loans received	(301,376)	-
Repayment of loan payable	-	(29,595)
Net cash provided by (used in) financing activities	<u>1,827,495</u>	<u>(22,995)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration acquisition costs	(50,000)	-
Repayment of lease liability	(6,852)	-
Net cash provided by investing activities	<u>(56,852)</u>	<u>-</u>
Change in cash for the period	780,012	(701,837)
Cash, beginning of the period	<u>38,620</u>	<u>1,003,998</u>
Cash, end of the period	<u>\$ 818,632</u>	<u>\$ 302,161</u>
Supplemental cash flow information		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 12)

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

VICTORY RESOURCES CORPORATION
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED AUGUST 31, 2020 AND 2019

	Capital Stock		Options and warrants reserve	Deficit	Total equity
	Number	Amount			
Balance as at February 28, 2019	9,706,095	\$ 28,805,298	\$ 770,606	\$ (28,532,466)	\$ 1,043,438
Share issuance for warrants exercised	17,600	6,600	-	-	6,600
Net loss for the period	-	-	-	(684,472)	(684,472)
Balance as at August 31, 2019	9,723,695	28,811,898	770,606	(29,216,938)	365,472
Private placement	9,601,390	1,440,209	-	-	1,440,209
Share issuance costs	-	(84,817)	-	-	(84,817)
Share issuance costs - warrants	-	(35,569)	35,569	-	-
Net loss for the period	-	-	-	(195,442)	(195,442)
Balance as at February 29, 2020	19,325,085	30,131,721	806,175	(29,412,380)	1,525,516
Private placement	28,568,332	2,142,625	-	-	2,142,625
Share issuance costs - cash	-	(23,747)	-	-	(23,747)
Share issuance costs - warrants	-	(87,600)	87,600	-	-
Subscription received	-	20,800	-	-	20,800
Share issuance for property acquisition	500,000	100,000	-	-	100,000
Net loss for the period	-	-	-	(1,626,991)	(1,626,991)
Balance as at August 31, 2020	48,393,417	\$ 32,283,799	\$ 893,775	\$ (31,039,371)	\$ 2,138,203

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

VICTORY RESOURCES CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)
FOR THE SIX MONTHS ENDED AUGUST 31, 2020 AND 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

Victory Resources Corporation. (Formerly Victory Empire Inc.), (“Victory” or “the Company”) is a publicly traded company (CSE: VR) incorporated under the laws of British Columbia, Canada. The Company has been a junior exploration stage mining corporation with interests in North America. The Company has no plans to divest itself of its existing operations in respect of its assets in South Central British Columbia, although it is currently seeking and investigating other business opportunities in the mining space.

On June 25, 2020, the Company consolidated its share capital on a 10:1 basis. These financial statements reflect that consolidation on a retroactive basis.

These condensed interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at August 31, 2020, the Company has a deficit of \$31,039,371 (February 29, 2020 - \$29,412,380). The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof. There is a material uncertainty related to events and conditions that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares, proceeds from loans and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these financial statements.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. BASIS OF PREPARATION

Basis of Presentation

These condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), and its interpretations, using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended February 29, 2020, which have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRS Interpretations Committee (“IFRIC”). The accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company’s financial statements for the year ended February 29, 2020.

VICTORY RESOURCES CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION (cont'd...)

Basis of Measurement

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

These financial statements were authorized for issue by the Board of Directors on October 19, 2020.

Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Stock Split and Consolidation

On June 6, 2019, the Company split its issued and outstanding common shares on the basis of four shares for each existing common share. Unless otherwise noted, all share, option and warrant information, including per share amounts were retrospectively adjusted to reflect this stock split in the financial statements for the years ended February 28, 2019 and 2018, and the effect was carried forward to these financial statements.

On June 25, 2020, the Company consolidated its issued and outstanding common shares on the basis of one share for every ten existing common shares. Unless otherwise noted, all share, option and warrant information, including per share amounts have been retrospectively adjusted to reflect this stock split in these financial statements.

Use of estimates and judgments

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include the following:

Valuation of stock options and compensation warrants

The fair value of stock options and compensation warrants issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options and compensation warrants.

Long-term investments

The valuation and measurement of long-term investments, including the determination of fair value, is subject to the limitations of the Black-Scholes option pricing model and net present value cash flow projections, both of which incorporate market data and involve uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimates of investments in convertible debentures and share purchase warrants.

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2. BASIS OF PREPARATION (cont'd...)

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the following:

Determination of functional currency

In accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates” management determined that the functional currency of the Company is Canadian dollars based on the primary economic environment in which the entity operates.

Carrying value and recoverability of exploration and evaluation assets

The assessment of the potential impairment of the carrying value and recoverability of exploration and evaluation assets included in the statements of financial position are based on management’s best estimate.

Going concern

The assessment of the Company’s ability to continue as a going concern is a significant management judgment. See Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The presentation currency of the Company is the Canadian dollar, which is also the Company’s functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss).

Financial Instruments

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

VICTORY RESOURCES CORPORATION
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial Instruments (cont'd...)

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company’s financial instruments are as follows:

Financial Instrument	IFRS 9
Cash	FVTPL
Amounts receivable	Amortized cost
Deposits	Amortized cost
Loans receivable	Amortized cost
Long-term investments	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs for all classifications of financial instruments, other than those at FVTPL, that are directly attributable to the acquisition or issuance of a financial asset or financial liability are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess consideration accounted for as a gain in profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. If impairment is assessed, exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mines under construction.” Exploration and evaluation assets are tested for impairment before the assets are transferred to mines under construction.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Impairment of long-lived assets

At the end of each reporting period, the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provision for environmental rehabilitation

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average number of shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In a loss period, potentially dilutive stock options and warrants are excluded from the loss per share calculation as the effect would be anti-dilutive.

Share-based payments

Where equity-settled stock options are awarded to employees, consultants, officers and directors, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Fair value is determined on the grant date using the Black-Scholes option pricing model. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in profit or loss, unless they are related to the issuance of shares. Amount related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amount recorded in reserves for unexercised share options is transferred to deficit upon expiry or cancellation of such options.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations, make investments and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are assigned the residual value after the main component of the equity financing (common shares) is valued, which is determined by the closing price on the date of grant. Warrants that are issued as payment for agency fees or other transaction costs are accounted for as share-based payments. When warrants expire they remain in reserves.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date the shares were granted.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby any premium paid by the investor for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to flow-through premium liability and included in profit or loss at the same time the qualifying expenditures are made.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New Accounting Pronouncements Adopted During the Period

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as was required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 became effective and was adopted by the Company beginning on March 1, 2019.

On adoption of IFRS 16, there was no impact to the Company of the adoption of this standard, as the Company had no leases in place. During the year ended February 29, 2020, the Company recognized lease liabilities in relation to leases which were entered into on January 1, 2020. These liabilities were measured at the present value of the lease payments excluding renewal options as they are not expected to be exercised, discounted using the Company's incremental borrowing rate as of January 1, 2020. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2020 was 4.85%.

The following is the lease liabilities recognized at January 1, 2020:

Total operating lease commitments disclosed at February 28, 2019	\$ -
Less: short-term leases	-
Facilities lease entered into at January 1, 2020	197,664
Lease liabilities before discounting	197,664
Discounted using incremental borrowing rate	(27,213)
Total lease liabilities recognized under IFRS 16 at January 1, 2020	\$ 170,451

The recognized right-of-use asset relates to the lease on the Canadian facilities. The change in accounting policy did not affect the statement of financial position until the Canadian facilities was entered into on January 1, 2020, which required accounting as right-of-use assets and lease liabilities as follows:

- Right-of-use assets – increased by \$170,451
- Lease liabilities – increased by \$170,451

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- elected to account for the payments for short-term leases and leases of low-value assets as an expense in the statement of comprehensive loss on a straight-line basis over the lease term; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New Accounting Pronouncements Adopted During the Period (cont'd...)

For the year ending February 29, 2020, depreciation of the right of use asset was \$4,735 and for the six months ending August 31, 2020, depreciation of the right of use asset was \$14,204. The right of use asset is depreciated on a straight-line basis over the term of the lease.

Right of use asset recognized on adoption of IFRS 16	\$	170,451
Depreciation of right of use asset		(4,735)
Right of use asset, February 29, 2020	\$	165,716
Depreciation of right of use asset		(14,204)
Right of use asset, August 31, 2020	\$	151,512

The lease term expires on December 31, 2025.

Balance at February 28, 2019		
Lease liability recognized on January 1, 2020	\$	170,451
Lease payments		(5,112)
Interest		1,329
Balance, February 29, 2020		166,668
Lease payments		(10,811)
Interest		3,959
Balance, August 31, 2020	\$	159,816
Current lease liability	\$	30,672
Long-term lease liability		135,996
Total lease liability at February 29, 2020	\$	166,668
Current lease liability	\$	30,672
Long-term lease liability		129,144
Total lease liability at August 31, 2020	\$	159,816

4. INVESTMENTS, DEPOSITS AND LOAN

DEPOSITS

CIA Cannabis Intelligence Agency Inc. (“CIA”)

During the year ended February 29, 2020, the Company entered into an LOI with CIA with respect to an equity investment. The Company advanced \$80,000 to CIA by way of a secured loan bearing interest at 8% and repayable in one year. Security on the loan consists of a general security interest against the assets and undertakings of CIA. The Company has recorded this amount as a deposit until such time as the transaction is completed and an equity investment in CIA is received.

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4. INVESTMENTS AND DEPOSITS (cont'd...)

LONG-TERM INVESTMENTS AND LOAN

Glenbriar Technologies Inc. (“Glenbriar”)

During the year ended February 29, 2020, the Company sent \$150,000 to Glenbriar for the future issuance of common shares. The Company has recorded this amount as a deposit at February 29, 2020. On March 20, 2020, the Company received 6,000,000 common shares with respect to this deposit. The Company recorded a \$90,000 unrealized capital loss on August 31, 2020.

World High Life PLC (“World High Life”)

On October 22, 2019, the Company purchased 6,666,670 convertible debenture units (the “Debentures”) of World High Life for \$1,100,000. World High Life is a UK CBD wellness and medicinal cannabis investment company listed on the London NEX Exchange under the symbol LIFE. The debentures pay interest of 10% annually, and are convertible into ordinary shares of World High Life at a price of £0.10 per share, subject to World High Life’s right to force conversion upon 30 days’ notice in the event that the Ordinary Shares trade at £0.30 or higher for a 10 day period. The debenture units consisted of a £1.00 principal amount and included 1 warrant to purchase additional ordinary shares at a price £0.15 per share for two years (6,666,670 warrants in total), subject to World High Life’s right to accelerate the maturity date upon 30 days’ notice in the event that the Ordinary Shares trade at £0.25 or higher for a 10 day period. The debentures mature two years plus one day from closing.

On October 22, 2019, the initial fair value of the convertible debenture was determined to be the initial cost of \$1,100,000, which was split between the principal note and the conversion feature as \$606,498 and \$493,502, respectively. Initially, \$Nil was allocated to the warrants received.

On July 3, 2020 the Company converted all of the debentures and interest into 7,182,138 World High Life shares. The Company recorded a \$337,763 realized loss on the investment. The Company also recorded a \$520,137 unrealized loss for the six month period ended August 31, 2020.

As at August 31, 2020:

- i) the warrants were fair valued at \$236,956 (February 29, 2020 - \$321,570) using the Black- Scholes option pricing and discounted cash flow models with following assumptions: estimated share price of £1.075; conversion price of £1.50; risk-free interest rate of 1.84%; dividend yield of 0%; stock price volatility of 100%, an expected life of 1.11 years (February 29, 2020 – 1.65 years).
- ii) during the period ended August 31, 2020, the Company recorded \$87,632 of interest income.

During the period ended August 31, 2020, the Company entered into a loan agreement with World High Life whereby the Company loaned World High Life \$300,000 with an annual interest rate of 10% repayable by January 30, 2021. The Company recorded interest income of \$1,560 during the period ended August 31, 2020. The Company loaned an additional \$1,376 to World High Life with no fixed terms of repayment.

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5. EXPLORATION AND EVALUATION ASSETS

	Toni Property	Hammond Project	Rich Lake Property	Total
Balance, February 29, 2020	\$ 10,000	\$ -	\$ 1	\$ 10,001
Additions – property acquisition costs	-	150,000	-	150,000
Balance, August 31, 2020	\$ 10,000	\$ 150,000	\$ 1	\$ 160,001

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims that may be impacted by the conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all of its properties is properly registered and in good standing.

Toni Property, Nicola Division, British Columbia

The Company has a 100% interest in the Toni Property and is not aware of any charges, encumbrances or claims. As consideration the Company paid \$30,000, issued 30,000 common shares and incurred at least \$250,000 in cumulative exploration expenditures during the years ended February 28, 2006 and 2007. The property is subject to a 2% net smelter returns royalty.

During the year ended February 28, 2019, the Company determined the Toni Property to be impaired and wrote down the carrying value to \$10,000 in accordance with level 3 of the fair value hierarchy.

Hammond Reef South, Ontario

The Company entered into an agreement dated July 27, 2020, and amended on August 5, 2020 with Abitibi Royalties Inc., to earn a 100% interest in the Hammond Reef South Project, in Northwestern Ontario. To earn the interest, the Company is must make cash payments totaling \$275,000 and issue a total of 2,750,000 common shares to Abitibi Royalties Inc. On August 31, 2020, the Company paid \$50,000 and issued 500,000 shares at a fair value of \$100,000.

Rich Lake Lithium Property, Ontario

During the year ended February 29, 2016, the Company acquired claims in the area designated as the Rich Lake Lithium Property.

During the year ended February 28, 2017, the Company entered a joint venture with Urban Mining Ventures Inc. in which Urban Mining Ventures Inc. could earn 25% of the mineral rights on the Rich Lake Lithium Property.

During the year ended February 28, 2017, Urban Mining Ventures Inc. abandoned the joint venture agreement.

During the year ended February 28, 2018, the Company determined the Rich Lake Lithium Property to be impaired and wrote down the carrying value to \$1 in accordance with level 3 of the fair value hierarchy.

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	August 31, 2020	February 29, 2019
Trade payables	\$ 182,960	\$ 214,292
Accrued liabilities	3,000	20,000
Total	\$ 185,960	\$ 234,292

All accounts payable and accrued liabilities for the Company are expected to fall due within the next 12 months.

7. RELATED PARTY TRANSACTIONS

Management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

Key management personnel compensation during the period ended August 31, 2020 and 2019 was as follows:

	August 31, 2020	August 31, 2019
Management and directors fees	\$ 48,000	\$ 48,000
Accounting and professional fees, included in professional fees	10,838	5,075
Legal fees, included in professional fees	800	4,614
	\$ 59,638	\$ 57,689

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The amounts due to the related parties are as follows:

	August 31, 2020	August 31, 2019
Due to directors and officers	\$ -	\$ 371
Due to a company with common directors	800	-
	\$ 800	\$ 371

The amounts owing are unsecured, non-interest bearing and have no fixed term for repayment.

8. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at August 31, 2020, the Company has unlimited authorized common shares without par value.

b) Issued share capital:

During six month period ended August 31, 2020, the Company issued the following shares:

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8. CAPITAL STOCK AND RESERVES (cont'd...)

b) Issued share capital: (cont'd...)

On August 12, 2020, the Company completed a non-brokered private placement of 23,594,665 units at \$0.075 per unit for gross proceeds of \$1,769,600. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of \$0.10 per share, with an expiry date of August 12, 2022. Finder's fees of \$29,815 were incurred. 626,453 finder's warrants (valued at \$85,000 using the Black-Scholes option pricing model) exercisable at a price of \$0.10 until August 12, 2022 were paid and issued in connection with the unit issuance. The fair value of the warrants was recognized as a share issuance cost with a corresponding increase in reserves.

On August 12, 2020, the Company issued 500,000 shares at a fair value \$0.20 for total amount \$100,000 toward the Hammond Reef South option agreement (Note 5).

On August 27, 2020, the Company completed a non-brokered private placement of 4,973,667 units at \$0.075 per unit for gross proceeds of \$373,025. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of \$0.10 per share, with an expiry date of August 27, 2022. Finder's fees of \$2,340 were incurred. 31,200 finder's warrants (valued at \$2,600 using the Black-Scholes option pricing model) exercisable at a price of \$0.10 until August 27, 2022 were paid and issued in connection with the unit issuance. The fair value of the warrants was recognized as a share issuance cost with a corresponding increase in reserves.

During the year ended February 29, 2020, the Company issued the following shares:

On June 24, 2019, the Company issued 17,600 shares for gross proceeds of \$6,600 pursuant to the exercise of warrants.

On October 9, 2019, the Company completed a non-brokered private placement of 8,714,723 units at \$0.15 per unit for gross proceeds of \$1,307,209. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of \$0.50 per share, with an expiry date of October 9, 2021. Finder's fees of \$84,577 were incurred. 563,845 finder's warrants (valued at \$35,374 using the Black-Scholes option pricing model) exercisable at a price of \$0.50 until October 9, 2021 were paid and issued in connection with the unit issuance. The fair value of the warrants was recognized as a share issuance cost with a corresponding increase in reserves.

On November 12, 2019, the Company completed a non-brokered private placement of 886,667 units at \$0.15 per unit for gross proceeds of \$133,000. Each unit consists of one common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of \$0.50 per share, with an expiry date of November 12, 2021. Finder's fees of \$240 were incurred. 1,600 finder's warrants (valued at \$195 using the Black-Scholes option pricing model) exercisable at a price of \$0.50 until November 12, 2021 were paid and issued in connection with the unit issuance. The fair value of the warrants was recognized as a share issuance cost with a corresponding increase in reserves.

c) Stock options:

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's shares, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

During the six month period ended August 31, 2020 no stock options were granted and 3,200 stock option expired.

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8. CAPITAL STOCK AND RESERVES (cont'd...)

d) Stock options: (cont'd...)

During the year ended February 29, 2020, the Company granted 492,000 stock options to officers, directors, employees and consultants of the Company. The options are exercisable at a price of \$0.7125 per option for a period of five years. The Company used the Black-Scholes option pricing model to calculate the fair value of the options and recorded \$474,000 in share-based compensation.

A summary of stock options is presented as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, February 29, 2020 and August 31, 2019	495,200	\$ 0.75
Expired:	(3,200)	\$ 6.25
Outstanding and exercisable, August 31, 2020	492,000	\$ 0.7125

At August 31, 2020, the following stock options were outstanding and exercisable:

Expiry Date	Number of Options	Exercise Price
March 20, 2023	492,000	\$ 0.7125

A summary of warrants is presented as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, February 28, 2019	8,533,284	\$ 0.625
Exercised	(17,600)	0.375
Expired	(19,200)	6.25
Outstanding, August 31, 2019	8,496,484	\$ 0.625
Issued	10,166,835	0.500
Expired	(190,694)	6.25
Outstanding, February 29, 2020	18,472,62	\$ 0.490
Issued	29,225,985	0.100
Outstanding, August 31, 2020	47,698,610	\$ 0.252

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8. CAPITAL STOCK AND RESERVES (cont'd...)

e) Warrants:

At August 31, 2020 the following warrants were outstanding and exercisable:

	Number of Warrants Outstanding	Exercise Price
January 21, 2022*	1,893,790	\$ 0.6875
January 21, 2022*	1,942,000	0.525
January 21, 2021	4,210,000	0.375
January 21, 2021 – agent warrants	260,000	0.375
October 9, 2021	8,714,723	0.500
October 9, 2021 – agent warrants	563,845	0.500
November 12, 2021	886,667	0.500
November, 2021 – agent warrants	1,600	0.500
August 12, 2022	23,594,665	0.100
August 12, 2022 – agent warrants	626,453	0.100
August 27, 2022	4,973,667	0.100
August 27, 2022 – agent warrants	31,200	0.100
	47,698,610	\$ 0.490

*Extended

The following weighted average assumptions were used for the Black-Scholes option pricing model of the agent warrants:

	Six months ended August 31, 2020	Year ended February 28, 2019
Share price	\$ 0.20	\$ 0.20
Exercise price	\$ 0.10	\$ 0.50
Risk-free interest rate	0.26%	2.04%
Expected life of warrants	2 years	2 years
Expected annualized volatility	100%	100%
Expected dividend rate	0.00%	0.00%

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9. SEGMENTED INFORMATION

During the period ended August 31, 2020 and the year ended February 29, 2020, the Company operated in two reportable operating segments within the geographic location of Canada. The segments being administrative activities, and the acquisition, exploration, and development of mineral properties. Segment information is as follows:

	As at August 31, 2020	As at February 29, 2020
Administrative		
Long-term investments	\$ 765,054	\$ 1,385,322
Right-of-use asset	151,512	165,716
Acquisition, exploration and development of mineral properties		
Reclamation deposit	3,050	3,050
Exploration and evaluation assets	160,001	10,001
Total non-current assets	\$ 1,069,617	\$ 1,564,089
	Six Month Period Ended August 31, 2020	Year Ended February 29, 2020
(Loss) from continuing operations for the period		
Administrative	\$ (1,584,597)	\$ (332,932)
	\$ (1,584,597)	\$ (332,932)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Fair values

The Company's financial instruments consist of cash, amounts receivable, deposits, reclamation deposits, long-term investments, accounts payable and accrued liabilities and due to related parties. Cash and long-term investments are carried at fair value. The fair values of amounts receivable, deposits, accounts payable and accrued liabilities and due to related parties approximate their carrying amounts due to their current nature.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

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

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (cont'd....)

The Company's financial assets measured at fair value on a recurring basis were calculated as follows:

	Balance	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>As at August 31, 2020</i>				
Cash	\$ 818,632	\$ 818,632	\$ -	\$ -
Long-term investments	765,054	-	-	765,054
<i>As at February 29, 2020</i>				
Cash	\$ 38,620	\$ 38,620	\$ -	\$ -
Long-term investments	1,385,322	-	-	1,385,322

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

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. Credit risks associated with cash are minimal as the Company deposits the majority of its cash with a large Canadian financial institution. The Company's credit risks associated with its amounts receivable are monitored by management. The Company's exposure to potential loss is equal to the carrying value of the amounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at August 31, 2020, the Company had a cash balance of \$818,632 (February 29, 2020 - \$38,620), GST receivable of \$3,966 (February 29, 2020 - \$12,011) and amounts receivable of \$1,560 (February 29, 2020 - \$56,089) to settle current liabilities of \$217,472 (February 29, 2020 - \$276,611). All of the Company's trade accounts payable and amounts due to related parties have contractual maturities of 30 days or are due on demand and accounts payable are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors, or liquidation of long-term investments to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As at August 31, 2020, the Company did not hold any material interest bearing investments or liabilities with variable interest rates, and therefore has no significant interest rate risk.

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11. CAPITAL RISK MANAGEMENT

b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At August 31, 2020, the Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has foreign currency exposure with respect to the investment in World High Life, which is denominated in British Pounds. A 5% change in the value of the British Pound with respect to the Canadian Dollar would impact profit or loss by approximately \$35,253.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration of the Toni Property is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

The recoverability of the Company's investment in World High Life is indirectly tied to the market price of World High Life's common shares. The market price of World High Life's common shares will impact the Company's ability to convert the investment to equity on terms preferable to the Company. Further, the ability of World High Life to raise funds through, equity, debt or operations and effect repayment of the investment from the Company could be impacted by the market price of World High Life common shares. The maximum exposure that could result from adverse changes in the market price of World High Life common shares is the total fair value of the investment at August 31, 2020 of \$705,052.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and/or acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements.

The Company's approach to capital management did not change during the period ended August 31, 2020.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not require the use of cash are excluded from the statement of cash flows.

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13. SUBSEQUENT EVENTS

On September 18, 2020, the Company completed a non-brokered private placement of 1,780,000 Flow-Through Share units at \$0.10 per unit for gross proceeds of \$178,000. Each unit consists of one Flow-Through common share and one warrant. Each warrant entitles the holder to purchase one additional share at price of \$0.15 per share, with an expiry date of September 18, 2022.

On September 22, 2020 the Company announced the arms-length acquisition of the Las Simard Property in Quebec. To earn the interest, the Company subsequently issued 5,000,000 shares and paid \$25,000. The shares will be subject to a four-month hold.