



# TROILUS

TROILUS GOLD CORP.

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS

For the three months ended  
October 31, 2020 and 2019

*(expressed in Canadian dollars)*

## **TROILUS GOLD CORP.**

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

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

The accompanying unaudited condensed interim consolidated 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 condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

# TROILUS GOLD CORP.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

| As at                                             |       | October 31,<br>2020  | July 31,<br>2020     |
|---------------------------------------------------|-------|----------------------|----------------------|
|                                                   | Notes |                      |                      |
| <b>ASSETS</b>                                     |       |                      |                      |
| <b>Current assets</b>                             |       |                      |                      |
| Cash and cash equivalents                         |       | \$ 22,466,817        | \$ 29,883,416        |
| Restricted cash                                   | 7     | 794,595              | -                    |
| Tax credit receivable                             | 14    | 3,024,713            | 1,866,713            |
| Amounts receivable                                | 5     | 432,054              | 438,949              |
| Investments                                       | 6     | 334,651              | -                    |
| Prepaid expenses                                  |       | 467,521              | 455,834              |
| <b>Total current assets</b>                       |       | <b>27,520,351</b>    | <b>32,644,912</b>    |
| Investments                                       | 6     | -                    | 250,000              |
| Reclamation deposits                              | 7     | 1,639,190            | 1,639,190            |
| Property and equipment                            | 8     | 5,611,511            | 5,445,731            |
| <b>TOTAL ASSETS</b>                               |       | <b>\$ 34,771,052</b> | <b>\$ 39,979,833</b> |
| <b>LIABILITIES AND EQUITY</b>                     |       |                      |                      |
| <b>Current liabilities</b>                        |       |                      |                      |
| Accounts payable and accrued liabilities          |       | \$ 2,508,169         | \$ 2,429,961         |
| Current portion of lease liabilities              | 9     | 423,836              | 501,472              |
| Current portion of reclamation provision          | 7     | 133,765              | 147,674              |
| <b>Total current liabilities</b>                  |       | <b>3,065,770</b>     | <b>3,079,107</b>     |
| Long-term portion of lease liabilities            | 9     | 708,435              | 587,782              |
| Flow-through share premium liability              | 10    | -                    | 244,435              |
| Reclamation provision                             | 7     | 3,545,775            | 3,728,682            |
| <b>Total liabilities</b>                          |       | <b>7,319,980</b>     | <b>7,640,006</b>     |
| <b>SHAREHOLDERS' EQUITY</b>                       |       |                      |                      |
| Share capital                                     |       | 87,242,757           | 87,242,757           |
| Share purchase warrant reserve                    | 11    | 9,763,070            | 9,763,070            |
| Share-based payment reserve                       | 12    | 2,367,380            | 1,047,793            |
| Accumulated deficit                               |       | (71,922,135)         | (65,713,793)         |
| <b>Total shareholders' equity</b>                 |       | <b>27,451,072</b>    | <b>32,339,827</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <b>\$ 34,771,052</b> | <b>\$ 39,979,833</b> |
| Nature of operations                              | 1     |                      |                      |
| Commitments and contingencies                     | 19    |                      |                      |
| Subsequent events                                 | 20    |                      |                      |

Approved on behalf of the Board of Directors:

*"Tom Olesinski"*

Director

*"Justin Reid"*

Director

# TROILUS GOLD CORP.

## Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

|                                                       |       | Three months ended<br>October 31, |                     |
|-------------------------------------------------------|-------|-----------------------------------|---------------------|
|                                                       |       | 2020                              | 2019                |
| <b>Expenses</b>                                       | Notes |                                   |                     |
| Exploration and evaluation expenses                   | 14    | \$ 3,851,146                      | \$ 2,350,127        |
| Reclamation estimate                                  | 7     | (156,339)                         | 27,339              |
| General and administrative expenses                   | 15    | 1,409,683                         | 1,139,933           |
| Share-based payments                                  | 12    | 1,319,587                         | -                   |
| <b>Total expenses before other items</b>              |       | <b>6,424,077</b>                  | <b>3,517,399</b>    |
| <b>Other (income)/expenses</b>                        |       |                                   |                     |
| Interest income                                       |       | (35,640)                          | (27,962)            |
| Interest on lease liabilities                         | 9     | 47,327                            | 54,781              |
| Flow-through share premium                            | 10    | (244,435)                         | (182,600)           |
| Accretion of reclamation provision                    | 7     | 12,114                            | 14,506              |
| Other (gains) and losses                              | 16    | 4,899                             | 25,176              |
| <b>Net loss and comprehensive loss for the period</b> |       | <b>\$ 6,208,342</b>               | <b>\$ 3,401,300</b> |
| <b>Net loss per share</b>                             |       |                                   |                     |
| Basic and diluted                                     |       | \$ 0.05                           | \$ 0.05             |
| <b>Weighted average common shares outstanding</b>     |       |                                   |                     |
| Basic and diluted                                     |       | 114,939,339                       | 63,972,779          |

# TROILUS GOLD CORP.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

|                                                           |       | Three months ended<br>October 31, |                |
|-----------------------------------------------------------|-------|-----------------------------------|----------------|
|                                                           | Notes | 2020                              | 2019           |
| <b>CASH FLOWS FROM:</b>                                   |       |                                   |                |
| <b>Operating activities</b>                               |       |                                   |                |
| Net loss for the period                                   |       | \$ (6,208,342)                    | \$ (3,401,300) |
| Items not involving cash                                  |       |                                   |                |
| Share-based payments                                      | 12    | 1,319,587                         | -              |
| Depreciation                                              | 8     | 248,432                           | 181,413        |
| Flow-through share premium                                | 10    | (244,435)                         | (182,600)      |
| Reclamation estimate adjustment                           | 7     | (156,339)                         | 27,339         |
| Reclamation costs incurred                                | 7     | (52,591)                          | (50,848)       |
| Miscellaneous unrealized gains and losses                 |       | (12,069)                          | -              |
| Accretion of reclamation estimate                         | 7     | 12,114                            | 14,506         |
|                                                           |       | (5,093,643)                       | (3,411,490)    |
| Net change in non-cash working capital items:             |       |                                   |                |
| Amounts receivable and prepaid expenses                   |       | (4,792)                           | 569,140        |
| Tax credit receivable                                     |       | (1,158,000)                       | (513,000)      |
| Accounts payable and accrued liabilities                  |       | 78,208                            | 51,548         |
|                                                           |       | (1,084,584)                       | 107,688        |
| Cash flows used in operating activities                   |       | (6,178,227)                       | (3,303,802)    |
| <b>Financing activities</b>                               |       |                                   |                |
| Financing proceeds proceeds                               |       | -                                 | 6,222,954      |
| Share issue costs                                         |       | -                                 | (205,581)      |
| Lease payments                                            | 9     | (223,645)                         | (287,407)      |
| Cash flows (used in)/provided by financing activities     |       | (223,645)                         | 5,729,966      |
| <b>Investing activities</b>                               |       |                                   |                |
| Property and equipment                                    | 8     | (133,298)                         | (452,036)      |
| Investment in securities                                  | 6     | (86,834)                          | -              |
| Restricted cash for Letter of Credit                      | 7     | (794,595)                         | -              |
| Cash flows used in investing activities                   |       | (1,014,727)                       | (452,036)      |
| <b>Net change in cash and cash equivalents</b>            |       | (7,416,599)                       | 1,974,128      |
| <b>Cash and cash equivalents, beginning of the period</b> |       | 29,883,416                        | 6,337,689      |
| <b>Cash and cash equivalents, end of the period</b>       |       | \$ 22,466,817                     | \$ 8,311,817   |
| <b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>              |       |                                   |                |
| Cash                                                      |       | \$ 4,366,994                      | \$ 977,643     |
| Cash equivalents                                          |       | 18,099,823                        | 7,334,174      |
|                                                           |       | \$ 22,466,817                     | \$ 8,311,817   |
| <b>SUPPLEMENTARY INFORMATION</b>                          |       |                                   |                |
| Equipment purchased through leases                        | 8,9   | \$ 324,000                        | \$ 338,620     |
| Working capital related to property and equipment         |       | -                                 | 1,039,760      |

# TROILUS GOLD CORP.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

|                                               | Note | Number of<br>Shares | Share Capital        | Share<br>purchase<br>warrant<br>reserve | Share-based<br>payment<br>reserve | Accumulated<br>Deficit | Total<br>Shareholders'<br>equity |
|-----------------------------------------------|------|---------------------|----------------------|-----------------------------------------|-----------------------------------|------------------------|----------------------------------|
| <b>Balance as at July 31, 2020</b>            |      | 114,939,339         | \$ 87,242,757        | \$ 9,763,070                            | \$ 1,047,793                      | \$ (65,713,793)        | \$ 32,339,827                    |
| Value of share-based compensation             | 12   | -                   | -                    | -                                       | 1,319,587                         | -                      | 1,319,587                        |
| Net loss for the period                       |      | -                   | -                    | -                                       | -                                 | (6,208,342)            | (6,208,342)                      |
| <b>Balance as at October 31, 2020</b>         |      | <b>114,939,339</b>  | <b>\$ 87,242,757</b> | <b>\$ 9,763,070</b>                     | <b>\$ 2,367,380</b>               | <b>\$ (71,922,135)</b> | <b>\$ 27,451,072</b>             |
| <b>Balance as at July 31, 2019</b>            |      | 62,060,578          | \$ 47,709,419        | \$ 6,764,206                            | \$ 195,576                        | \$ (47,262,156)        | \$ 7,407,045                     |
| Adjustment on initial application of IFRS 16  |      | -                   | -                    | -                                       | -                                 | (38,258)               | (38,258)                         |
| <b>Balance as at August 1, 2019</b>           |      | 62,060,578          | 47,709,419           | 6,764,206                               | 195,576                           | (47,300,414)           | 7,368,787                        |
| Private placement financings                  |      | 7,036,900           | 6,222,954            | -                                       | -                                 | -                      | 6,222,954                        |
| Cost of issue on private placement financings |      | -                   | (205,581)            | -                                       | -                                 | -                      | (205,581)                        |
| Flow-through share premium                    |      | -                   | (1,086,017)          | -                                       | -                                 | -                      | (1,086,017)                      |
| Net loss for the period                       |      | -                   | -                    | -                                       | -                                 | (3,401,300)            | (3,401,300)                      |
| <b>Balance as at October 31, 2019</b>         |      | <b>69,097,478</b>   | <b>\$ 52,640,775</b> | <b>\$ 6,764,206</b>                     | <b>\$ 195,576</b>                 | <b>\$ (50,701,714)</b> | <b>\$ 8,898,843</b>              |

## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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### **1. NATURE OF OPERATIONS**

Troilus Gold Corp. (the "Company") was continued under the laws of Ontario, Canada. The Company owns a 100% interest in a past-producing gold mine located near Chibougamau, within the Frotêt-Evans Greenstone Belt in Quebec (the "Troilus project"). The Company has acquired additional mineral claims adjacent to the Troilus project through various transactions. Collectively, these properties are referred to as the "Troilus Gold property". The principal business of the Company is the exploration and future development of the Troilus Gold property. The Company's registered office is located at 36 Lombard Street, 4<sup>th</sup> Floor, Toronto, Ontario, M5C 2X3. The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "TLG". All dollar amounts are Canadian dollars unless otherwise noted.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory, environmental and social requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These condensed interim consolidated financial statements of the Company for the three months ended October 31, 2020 were approved and authorized for issue by the Board of Directors on December 10, 2020.

### **2. BASIS OF PRESENTATION AND COMPLIANCE**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Account Standard ("IAS") 34, "Interim Financial Reporting". The policies set out in the Company's annual consolidated financial statements for the year ended July 31, 2020 were consistently applied to all periods presented unless otherwise noted below.

The preparation of condensed interim financial statements in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Certain disclosures included in annual financial statements have been condensed or omitted.

## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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### **2. BASIS OF PRESENTATION AND COMPLIANCE (continued)**

Following the declaration on March 11, 2020 of a global pandemic related to COVID-19 by the World Health Organization, the restrictions imposed by governments around the world have had a significant impact on the global economy and commodity prices. Financial, oil and certain other commodity markets have declined significantly and remain highly volatile. Precious metals, while volatile, have generally demonstrated an upward trend. In response to an order by the Government of Quebec, the Company's exploration activities at site were temporarily suspended, but resumed in June 2020. While travel restrictions have lifted somewhat, challenges continue in particular with air travel to site. The Company implemented various measures to protect its employees, contractors and the communities in which it operates, including screening, physical distancing protocols, isolation protocols and increased cleaning and sanitization. These measures are expected to remain in place for the foreseeable future. Corporate activities continue with personnel working remotely, and conference participation has gone virtual. The impacts to the Company to date have not been material, however going forward, they may result in changes to the timing and nature of the Company's operating plans.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These condensed interim consolidated financial statements do not include any adjustments that may result from the inability to continue as a going concern. Such adjustments could be material.

These condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### New accounting policies

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Company has adopted these amendments effective August 1, 2020 with no material impact to these condensed interim consolidated financial statements.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

*(Expressed in Canadian dollars)*

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### 3. SIGNIFICANT ACCOUNTING POLICIES

IFRS 3 – Business Combinations (“IFRS 3”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. The Company has adopted these amendments effective August 1, 2020 with no material impact to these condensed interim consolidated financial statements.

#### Future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Information about critical judgments and estimates in applying accounting policies, and areas where assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following areas:

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

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### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Mineral resource estimates

The figures for mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

#### Estimation of decommissioning and reclamation costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Cost estimates are updated annually to reflect known developments and are subject to review at regular intervals.

#### Fair value of investment in securities not quoted in an active market or private company investments

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. See Notes 6 and 13.

#### Share-based payments and warrants

Management determines costs for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments for share-based payments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Assumptions and judgements for determining the value of warrants include estimating the future volatility of the share price, expected dividend yield and expected risk-free rate of return. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

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### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

#### Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

#### Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

#### Valuation of the refundable mining duties credit and the refundable tax credit for resources

The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessments and payments has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources and the exploration and evaluation expenses in future periods.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

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### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### Leases under IFRS 16

Critical judgements are required in the application of IFRS 16, including identifying whether a contract (or part of a contract) includes a lease and determining whether it is reasonably certain that an extension or termination option will be exercised. Sources of estimation uncertainty include estimation of the lease term, determination of an appropriate discount rate and assessment of whether a ROU asset is impaired. Such judgments, estimates and assumptions are inherently uncertain, and changes in these assumptions affect the fair value estimates.

#### Contingencies

Refer to Note 19.

The amounts recognized in the consolidated financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

### 5. AMOUNTS RECEIVABLE

|                              | October 31, 2020 | July 31, 2019 |
|------------------------------|------------------|---------------|
| Input tax credits receivable | \$ 432,054       | \$ 438,949    |
|                              | \$ 432,054       | \$ 438,949    |

### 6. INVESTMENTS

Included in Investments at October 30, 2020 are the 500,000 shares of Kenorland Minerals Ltd. ("Kenorland"), a privately-held company, acquired in March 2020 for \$250,000. These shares were classified and measured at Fair Value through Profit and Loss ("FVPL") at acquisition. The Company has classified these shares as at October 31, 2020 as a short-term asset. The Company does not own a significant interest in Kenorland. As the value of these shares is not quoted on an exchange, as at October 31, 2020, the Company estimated the fair value of these shares to be \$250,000 based on Kenorland's most recent financing in March 2020, and the lack of significant events or objective evidence to suggest a material change in the value as at October 31, 2020 since acquisition. Use of this valuation approach involves uncertainties and determinations based on management's judgment and any value estimated may not be realized or realizable. See Note 13.

## TROILUS GOLD CORP.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

#### 7. RECLAMATION DEPOSITS AND PROVISION

##### Deposits:

In February 2019, the Company purchased an underwritten bond from an insurance company in order to recover a reclamation deposit of \$3,972,976 with the government of Quebec. The reclamation deposit served as security against current and future estimated reclamation obligations at the Troilus site from historical mining activity. To purchase this insurance, the Company gave a \$1,589,190 deposit to the insurance company and pays an annual fee of 2.5% of the insured amount. The Company also paid an additional \$50,000 deposit as security against current and future estimated reclamation obligations on the landfill site on the Troilus Gold property.

During the quarter ended October 31, 2020, the Company commenced the process of entering into a bonding facility with a new insurance company pursuant to which the Company would further reduce its cash deposit to 20% of the reclamation deposit or \$794,595, incurring the same annual fee of 2.5%. During the quarter ended October 31, 2020, the Company deposited \$794,595 into a Guaranteed Investment Certificate secured by a Letter of Credit, and upon acceptance by the government of Québec, the Company anticipates receiving the existing deposit of \$1,589,190. These funds are classified as restricted cash as at October 31, 2020 until such time as the new bonding facility is accepted by the government of Québec.

##### Provision:

The Company recognized a provision for future estimated reclamation and water treatment costs of the former Troilus mine. As at October 31, 2020, the estimated future liability of approximately \$3,502,000 (July 31, 2020: \$3,544,000), was adjusted for inflation at an average rate of 1.72% (July 31, 2020: 1.74%), discounted at a rate of 1.25% (July 31, 2020: 0.92%) and recorded as \$3,679,540, \$133,765 as a current liability and \$3,545,775 as a long-term liability (July 31, 2020: \$3,876,356, \$147,674 as a current liability and \$3,728,682 as a long-term liability). This estimate assumes that future mining operations would never resume. As the Company continues its exploration program, works towards a future mining scenario, and carries out reclamation work, the underlying assumptions to the reclamation provision will be adjusted accordingly. As a result of this remeasurement, a credit of \$156,339 was recorded as an adjustment to the reclamation estimate to the consolidated statements of operations for the three months ended October 31, 2020 (three months ended October 31, 2019: an expense of \$27,339). Accretion of \$12,114 was recognized for the three months ended October 31, 2020 on the consolidated statements of operations (three months ended October 31, 2019: \$14,506).

|                                          |           |                  |
|------------------------------------------|-----------|------------------|
| Balance as at July 31, 2020              | \$        | 3,876,356        |
| Accretion of discount                    |           | 12,114           |
| Adjustments resulting from remeasurement |           | (156,339)        |
| Incurred costs applied against liability |           | (52,591)         |
| <b>Balance as at October 31, 2020</b>    | <b>\$</b> | <b>3,679,540</b> |
| Current portion of liability             | \$        | 133,765          |
| Long-term portion of liability           |           | 3,545,775        |
|                                          | \$        | 3,679,540        |

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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### 8. PROPERTY AND EQUIPMENT

|                                         | <u>Computer<br/>and office<br/>equipment</u> | <u>Leaseholds,<br/>improvements<br/>and furniture</u> | <u>Vehicles</u>    | <u>Equipment</u>   | <u>Exploration<br/>Camp</u> | <u>TOTAL</u>          |
|-----------------------------------------|----------------------------------------------|-------------------------------------------------------|--------------------|--------------------|-----------------------------|-----------------------|
| <i>Cost</i>                             |                                              |                                                       |                    |                    |                             |                       |
| Balance, July 31, 2020                  | \$ 119,924                                   | \$ 1,276,457                                          | \$ 255,918         | \$ 436,137         | \$ 4,600,427                | \$ 6,688,863          |
| Additions                               | 14,426                                       | 37,809                                                | 324,000            | 25,044             | 56,020                      | 457,299               |
| Disposals                               | -                                            | -                                                     | (172,766)          | -                  | -                           | (172,766)             |
| <b>Balance, October 31, 2020</b>        | <b>\$ 134,350</b>                            | <b>\$ 1,314,266</b>                                   | <b>\$ 407,152</b>  | <b>\$ 461,181</b>  | <b>\$ 4,656,447</b>         | <b>\$ 6,973,396</b>   |
| <i>Depreciation</i>                     |                                              |                                                       |                    |                    |                             |                       |
| Balance, July 31, 2020                  | \$ (49,409)                                  | \$ (349,666)                                          | \$ (154,031)       | \$ (62,017)        | \$ (628,009)                | \$ (1,243,132)        |
| Expense for the period                  | (9,084)                                      | (68,968)                                              | (36,855)           | (11,673)           | (121,852)                   | (248,432)             |
| Disposals                               | -                                            | -                                                     | 129,679            | -                  | -                           | 129,679               |
| <b>Balance, October 31, 2020</b>        | <b>\$ (58,493)</b>                           | <b>\$ (418,634)</b>                                   | <b>\$ (61,207)</b> | <b>\$ (73,690)</b> | <b>\$ (749,861)</b>         | <b>\$ (1,361,885)</b> |
| Net book value, July 31, 2020           | \$ 70,515                                    | \$ 926,791                                            | \$ 101,887         | \$ 374,120         | \$ 3,972,418                | \$ 5,445,731          |
| <b>Net book value, October 31, 2020</b> | <b>\$ 75,857</b>                             | <b>\$ 895,632</b>                                     | <b>\$ 345,945</b>  | <b>\$ 387,491</b>  | <b>\$ 3,906,586</b>         | <b>\$ 5,611,511</b>   |

An amount of \$248,432 was expensed in depreciation for the three months ended October 31, 2020, where \$196,564 was recorded as exploration and evaluation expenses and \$51,868 was recorded as general and administrative expenses (three months ended October 31, 2019: \$181,413, where \$131,744 was allocated to exploration and evaluation expenses and \$49,669 was allocated to general and administrative expenses).

The Company acquired \$324,000 in assets through Right-of-Use vehicle leases (Note 9) during the three months ended October 31, 2020 (three months ended October 31, 2019: \$338,620). The Company traded in the existing vehicles on lease for these new vehicles, and as a result, \$14,252 was recorded as a gain on disposal of assets in other gains and losses.

## TROILUS GOLD CORP.

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### 9. LEASE LIABILITIES

|                                                        |           |                  |
|--------------------------------------------------------|-----------|------------------|
| Balance as at July 31, 2020                            | \$        | 1,089,254        |
| Assets acquired from leases and financing arrangements |           | 324,000          |
| Payments made during the period                        |           | (223,645)        |
| Lease extinguishment                                   |           | (57,338)         |
| <b>Balance as at October 31, 2020</b>                  | <b>\$</b> | <b>1,132,271</b> |
| Current portion of lease liabilities                   | \$        | 423,836          |
| Long-term portion of lease liabilities                 |           | 708,435          |
|                                                        | <b>\$</b> | <b>1,132,271</b> |

During the three months ended October 31, 2020, the Company traded in vehicles on lease and entered into new lease agreements with respect to vehicles valued at \$324,000. The Company's other right-of-use leases include office leases and leases for certain infrastructure, with terms of up to 3.6 years. Interest expense recognized on these leases for the three months ended October 31, 2020 was \$47,327 (three months ended October 31, 2019: \$54,781). During the three months ended October 31, 2020, the Company incurred \$122,545 for short-term rental equipment (three months ended October 31, 2019: \$144,253) which was recorded to exploration and evaluation expenses on the consolidated statement of operations.

### 10. FLOW-THROUGH SHARE PREMIUM LIABILITY

Upon the issuance of flow-through shares, the Company records a flow-through share premium liability based on the calculated premium per dollar raised determined as the excess issue price over the quoted market price at the date of issuance. The liability is reduced as the Company incurs eligible expenditures. A balance of \$244,435 remained as at July 31, 2020 related to the Company's flow-through financing in February 2020, and this was fully extinguished by October 31, 2020, with a flow-through share premium recovery of \$244,435 recorded to the statements of operations.

### 11. SHARE PURCHASE WARRANT RESERVE

The following table summarizes the warrants outstanding as at October 31, 2020:

| Exercise Price | Expiry Date       | Number Outstanding | Number Exercisable | Value       | Weighted Average Remaining Contractual Life | Assumptions             |                     |                         |                               |
|----------------|-------------------|--------------------|--------------------|-------------|---------------------------------------------|-------------------------|---------------------|-------------------------|-------------------------------|
|                |                   |                    |                    |             |                                             | Expected Dividend Yield | Expected Volatility | Risk-free Interest rate | Expected Average Life (years) |
| \$2.50         | November 21, 2020 | 14,030,000         | 14,030,000         | \$6,764,206 | 0.06                                        | 0%                      | 100.00%             | 1.51%                   | 3.00                          |
| \$1.50         | June 23, 2022     | 12,075,000         | 12,075,000         | 2,998,864   | 1.64                                        | 0%                      | 80.27%              | 0.30%                   | 2.00                          |
|                |                   | 26,105,000         | 26,105,000         | \$9,763,070 | 0.79                                        |                         |                     |                         |                               |

Subsequent to October 31, 2020, 14,030,000 warrants at an exercise price of \$2.50 expired unexercised.

## TROILUS GOLD CORP.

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### 12. SHARE-BASED PAYMENT RESERVE

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants of the Company options to purchase shares of the Company. Options granted under the plan will be for a term not to exceed five years.

The Company also has a Restricted Share Unit Incentive Plan "RSU Plan" whereby the Company is authorized to grant Restricted Share Units ("RSU's") under the plan to directors, officers and employees until October 18, 2020. An RSU represents the right to receive one common share of the Company or, at the discretion of the Board of Directors, cash equal to the market price of the common share on the vesting date. As the intent is to settle any RSU's in common shares, the value of outstanding RSU's is included in share-based payment reserve within equity.

The number of common shares reserved for issuance pursuant to the stock-option plan and the RSU Plan and all other security-based compensation arrangements shall, in aggregate, not exceed 10% of the Company's issued and outstanding capital.

|                                       | Stock option<br>Value | RSU<br>Value        | TOTAL               |
|---------------------------------------|-----------------------|---------------------|---------------------|
| Balance as at July 31, 2020           | \$ 195,576            | \$ 852,217          | \$ 1,047,793        |
| RSU expense accrued                   |                       | 1,319,587           | 1,319,587           |
| <b>Balance as at October 31, 2020</b> | <b>\$ 195,576</b>     | <b>\$ 2,171,804</b> | <b>\$ 2,367,380</b> |

Outstanding Stock Options:

|                   |                 |                       |                       |           | Assumptions                                       |                               |                        |                               |                                     |
|-------------------|-----------------|-----------------------|-----------------------|-----------|---------------------------------------------------|-------------------------------|------------------------|-------------------------------|-------------------------------------|
| Exercise<br>Price | Expiry Date     | Number<br>Outstanding | Number<br>Exercisable | Value     | Weighted Average<br>Remaining<br>Contractual Life | Expected<br>Dividend<br>Yield | Expected<br>Volatility | Risk-free<br>Interest<br>rate | Expected<br>Average Life<br>(years) |
| \$ 1.64           | January 3, 2023 | 250,000               | 250,000               | \$195,576 | 2.18                                              | 0%                            | 100%                   | 2.26%                         | 5.00                                |
|                   | Total           | 250,000               | 250,000               | \$195,576 | 2.18                                              |                               |                        |                               |                                     |

The Company did not grant stock options during the three months ended October 31, 2020 and 2019. Going forward, the Company does not intend to issue any new options under the Company's stock option plan in favour of granting RSU's.

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### 12. SHARE-BASED PAYMENTS RESERVE (continued)

Outstanding unvested RSU's:

|                                       | Number of RSU's   |
|---------------------------------------|-------------------|
| Balance as at July 31, 2020           | 3,136,660         |
| Granted                               | 7,840,000         |
| Forfeited                             | (58,333)          |
| <b>Balance as at October 31, 2020</b> | <b>10,918,327</b> |

On August 4, 2020, the Company granted 7,765,000 RSU's to directors, officers and employees of the Company. These RSU's vest three years from the date of issuance, on August 4, 2023. The fair value of these RSU's was estimated to be \$1.50 per unit based on the quoted market price of the Company's shares on the date of grant.

On September 1, 2020, the Company granted 75,000 RSU's to new employees of the Company. These RSU's vest in tranches, one half on January 15, 2021 and the balance on January 17, 2022. The fair value of these RSU's was estimated to be \$1.53 per unit based on the quoted market price of the Company's shares on the date of grant.

Stock-based payments of \$1,319,587 was recognized for the three months ended October 31, 2020 related to these RSU's, which includes an accrual for unvested RSU's (three months ended October 31, 2019: \$nil).

### 13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities were classified as follows:

|                                          | Assets at<br>amortized cost | Assets at fair<br>value through<br>profit or loss | Liabilities at<br>amortized cost | Total         |
|------------------------------------------|-----------------------------|---------------------------------------------------|----------------------------------|---------------|
| <b>As at October 31, 2020</b>            |                             |                                                   |                                  |               |
| Cash and cash equivalents                | \$ 4,366,994                | \$ 18,099,823                                     | \$ -                             | \$ 22,466,817 |
| Restricted cash                          | 794,595                     | -                                                 | -                                | 794,595       |
| Investments                              | -                           | 334,651                                           | -                                | 334,651       |
| Reclamation deposit                      | 1,639,190                   | -                                                 | -                                | 1,639,190     |
| Accounts payable and accrued liabilities | -                           | -                                                 | 2,508,169                        | 2,508,169     |
| Lease liabilities                        | -                           | -                                                 | 1,132,271                        | 1,132,271     |

The carrying values of cash and cash equivalents, restricted cash and accounts payable and accrued liabilities approximate fair value due to the short-term nature of the financial instruments. The carrying value of investments is recorded at an estimated fair value based on a valuation technique using both observable and unobservable inputs. The carrying value of reclamation deposit approximates fair value as it is represented by a cash deposit. Management believes the carrying value of lease liabilities approximates fair value.

## TROILUS GOLD CORP.

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#### 13. FINANCIAL INSTRUMENTS (continued)

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

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

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at October 31, 2020:

|                               | Level 1       | Level 2 | Level 3 | TOTAL        |
|-------------------------------|---------------|---------|---------|--------------|
| <b>As at October 31, 2020</b> |               |         |         |              |
| Cash equivalents              | \$ 18,099,823 | -       | \$ -    | \$18,099,823 |
| Investments                   | 84,651        | -       | 250,000 | 334,651      |

The investment in Level 3 represents the investment in Kenorland, a privately-held company, that is not quoted on an exchange. This investment was acquired during the year ended July 31, 2020. The key assumption used in the valuation of this investment is the value at which a recent financing was completed by the investee. Kenorland is currently the subject of a proposed Reverse Takeover transaction ("RTO") however as this transaction has not been completed, the Company continues to value the investment in this manner. As valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. As at October 31, 2020, a 10% change in the fair value of Kenorland would result in a corresponding \$25,000 change in income/loss.

There were no transfers among Levels 1, 2 and 3 during the three months ended October 31, 2020.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the three months ended October 31, 2020.

#### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, and reclamation deposit. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable primarily represent input tax credit refunds from government bodies. Management believes that the credit risk concentration with respect to these financial instruments is remote.

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### 13. FINANCIAL INSTRUMENTS (continued)

#### Liquidity risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at October 31, 2020, the Company had current assets of \$27,520,351 (July 31, 2020: \$32,664,912) to settle current liabilities of \$3,065,770 (July 31, 2020: \$3,079,107). Approximately \$1,985,000 of the Company's financial liabilities as at October 31, 2020 have contractual maturities of less than 30 days and are subject to normal trade terms.

| Liability                                | Total        | < 1 year     | Payments due by period |             |           |
|------------------------------------------|--------------|--------------|------------------------|-------------|-----------|
|                                          |              |              | 1 - 3 years            | 4 - 5 years | > 5 years |
| Accounts payable and accrued liabilities | \$ 2,508,169 | \$ 2,508,169 | \$ -                   | \$ -        | \$ -      |
| Lease liabilities                        | 1,132,271    | 423,836      | 589,436                | 118,999     | -         |
| Reclamation provision                    | 3,679,540    | 133,765      | 335,577                | 421,077     | 2,789,121 |

#### Market risk - Interest rate risk

The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. Based on cash and cash equivalent balances on hand at October 31, 2020, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$22,000.

### 14. EXPLORATION AND EVALUATION EXPENSES

The Company owns the Troilus Gold property, consisting of mineral claims and a past-producing mine property located near Chibougamau, within the Frotêt-Evans Greenstone Belt in Quebec, Canada. During the prior year, the Company acquired various claims extending its land package.

## TROILUS GOLD CORP.

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### 14. EXPLORATION AND EVALUATION EXPENSES (continued)

Of the claims initially acquired from First Quantum Minerals Inc. ("First Quantum"), certain claims were subject to a variable Net Smelter Royalty ("NSR") of 1.5% (if the gold price is less than US\$1,250/ounce during the reference period) or 2.5% (if the gold price is more than US\$1,250/ounce during the reference period) payable to First Quantum. Subsequent to October 31, 2020, the Company repurchased this NSR for cash consideration of \$20,000,000 payable to First Quantum, thereby extinguishing the royalty. A royalty of 1% remains on these claims, held by Nomad Royalty Company Ltd. The claims acquired from Emgold in December 2018 are subject to underlying NSR royalties of 1% to Emgold, that the Company has the right to repurchase for \$1,000,000. The claims acquired from O3 in November 2019 are subject to royalties of 2% NSR to O3, half of which can be repurchased for \$1,000,000, and 2% NSR to an individual, half of which can be repurchased for \$1,000,000. The claims acquired from O3 in April 2020 are subject to royalties of 2% NSR to O3, of which half can be repurchased at any time for \$1,000,000. Certain of the O3 claims acquired in April 2020 are subject to underlying royalties of 1% to Glencore plc, and certain claims are subject to underlying royalties of 2% to Vale S.A. One-half of the royalty to Vale S.A. can be repurchased. The claims acquired from Globex Mining Enterprises Inc. ("Globex") are subject to a 2% Gross Metal Sales royalty ("GMR") to Globex, of which half can be repurchased at any time for \$1,000,000. The claims acquired from Canadian Mining House ("CMH") are subject to a 1% NSR, of which half can be repurchased for \$500,000 and half can be repurchased for \$1,500,000.

|                                         | Three months ended<br>October 31, |                     |
|-----------------------------------------|-----------------------------------|---------------------|
|                                         | 2020                              | 2019                |
| Exploration and evaluation expenses:    |                                   |                     |
| Drilling, assaying and geology          | \$ 2,316,973                      | \$ 781,636          |
| Salaries, payroll costs and consultants | 1,334,220                         | 1,238,966           |
| Site and camp costs                     | 301,987                           | 111,685             |
| Support and other costs                 | 119,462                           | 141,979             |
| Studies                                 | 630,041                           | 384,450             |
| Government and community relations      | 50,065                            | 17,719              |
| Travel                                  | 59,834                            | 54,948              |
| Depreciation                            | 196,564                           | 131,744             |
| Tax credits                             | (1,158,000)                       | (513,000)           |
|                                         | <u>\$ 3,851,146</u>               | <u>\$ 2,350,127</u> |

The Company has recorded \$1,158,000 in expected tax credits against exploration activity for the three months ended October 31, 2020 (three months ended October 31, 2019: \$513,000). As at October 31, 2020, the Company is carrying a tax credit receivable balance of \$3,024,713 for the most part related to amounts not yet claimed (July 31, 2020: \$1,866,713).

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### 15. GENERAL AND ADMINISTRATIVE EXPENSES

|                                         | Three months ended<br>October 31, |                     |
|-----------------------------------------|-----------------------------------|---------------------|
|                                         | 2020                              | 2019                |
| General and administrative expenses :   |                                   |                     |
| Salaries, payroll costs and consultants | \$ 830,101                        | \$ 567,061          |
| Professional costs                      | 147,927                           | 75,421              |
| Shareholder communications              | 249,659                           | 328,925             |
| Office and general                      | 69,299                            | 101,511             |
| Travel                                  | 60,829                            | 17,346              |
| Depreciation                            | 51,868                            | 49,669              |
|                                         | <u>\$ 1,409,683</u>               | <u>\$ 1,139,933</u> |

### 16. OTHER (GAINS) AND LOSSES

|                                     | Three months ended<br>October 31, |                  |
|-------------------------------------|-----------------------------------|------------------|
|                                     | 2020                              | 2019             |
| Other expenses:                     |                                   |                  |
| Fee for reclamation bond            | \$ 24,831                         | \$ 24,831        |
| Gain on disposal of assets (Note 8) | (14,252)                          | -                |
| Miscellaneous                       | (5,680)                           | 345              |
|                                     | <u>\$ 4,899</u>                   | <u>\$ 25,176</u> |

### 17. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the exploration and development of its mineral properties. The capital of the Company consists of share capital, share purchase warrants, RSU's and stock options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's properties are in the exploration stage and, accordingly, the Company is dependent upon external financings to fund activities. In order to carry out planned drilling and engineering work, and pay for administrative costs, the Company will spend working capital and expects to raise the additional funds from time to time as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended October 31, 2020 and 2019.

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### 18. RELATED PARTY DISCLOSURES

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

#### *Related party balances*

During the three months ended October 31, 2020, the Company paid \$25,654 to a private company from which it rents its office space in Chibougamau. The Company's VP of Operations, Mr. Daniel Bergeron, owns 50% of this private company.

Approximately \$51,000 is payable to directors and officers of the Company at October 31, 2020 (July 31, 2020: \$14,000) and included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

#### *Compensation of key management personnel of the Company*

The remuneration of directors and other members of key management personnel were as follows:

|                              | Three months ended<br>October 31, |                   |
|------------------------------|-----------------------------------|-------------------|
|                              | 2020                              | 2019              |
| Management salaries and fees | \$ 811,196                        | \$ 467,224        |
| Directors fees               | 92,500                            | 35,598            |
| Share-based payments         | 1,188,826                         | -                 |
|                              | <u>\$ 2,092,522</u>               | <u>\$ 502,822</u> |

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

### 19. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. As at the date of this report, these contracts contain minimum commitments of approximately \$1,900,000 and additional contingent payments of approximately \$5,300,000 upon the occurrence of a change of control. As well, the Company has 10,918,327 RSU's outstanding to directors, officers and employees of the Company of which 1,589,173 will vest in January 2021, 1,589,154 will vest in January 2022 and 7,740,000 will vest in August 2023. Upon a change of control, unvested RSU's would vest immediately. As a triggering effect for a change of control has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is obligated to make lease payments over the next 3.6 years. See Notes 9 and 13.

## **TROILUS GOLD CORP.**

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### **19. COMMITMENTS AND CONTINGENCIES (continued)**

Underlying royalties on the Troilus Gold property are described in Note 14.

As a result of the Company's flow-through financings in February 2020, the Company was committed to incur qualifying resource expenditures. The Company filed its renunciation forms in December 2020, renouncing these expenditures effective November 30, 2020. As at October 31, 2020, the Company has met this expenditure commitment.

In connection with the flow-through financings, the Company indemnifies the subscribers against certain tax related amounts that may become payable by the subscribers should the Company not meet its flow-through expenditure commitments.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **20. SUBSEQUENT EVENTS**

In November 2020, the Company repurchased the sliding NSR held by First Quantum through a cash payment of \$20,000,000 (Note 14).

On December 1, 2020, the Company closed a bought-deal public offering and a bought-deal private placement with Cormark Securities Inc., on behalf of a syndicate of underwriters. Pursuant to the bought-deal public offering, the Company issued 5,470,000 common shares of the Company that qualify as flow through shares at a price of \$1.92 per flow-through share. As well, the over-allotment option was exercised with the issuance of an additional 820,500 flow-through shares. Pursuant to the bought-deal private placement, the Company issued 9,100,000 common shares of the Company at a price of \$1.10 per share. Gross proceeds from these financings totaled \$22,087,760. A commission of 6% was charged by the syndicate of underwriters.