



TROILUS

TROILUS GOLD CORP.

ANNUAL CONSOLIDATED
FINANCIAL STATEMENTS

For the years ended
July 31, 2018 and 2017

(expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Troilus Gold Corp.

We have audited the accompanying consolidated financial statements of Troilus Gold Corp. and its subsidiary, which comprise the consolidated statement of financial position as at July 31, 2018, and the consolidated statement of operations and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Troilus Gold Corp. and its subsidiary as at July 31, 2018, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The financial statements of Troilus Gold Corp. as at July 31, 2017 and 2016 and for the year ended July 31, 2017, were audited by other auditors who expressed an unmodified opinion on those statements on November 21, 2017.

We have audited the restatement to the consolidated financial statements as at July 31, 2017 and 2016 and for the year ended July 31, 2017, as described in note 3 to the consolidated financial statements. In our opinion, such restatement is appropriate and has been properly applied. We were not engaged to audit, review or apply any procedures to the 2017 or 2016 consolidated financial statements (restated) of Troilus Gold Inc. other than with respect to the restatement described above and accordingly, we do not express an opinion or any other form or assurance on the 2017 or 2016 consolidated financial statements (restated) taken as a whole.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
October 10, 2018

TROILUS GOLD CORP.**Annual Consolidated Statements of Financial Position****(Expressed in Canadian dollars)**

As at	Notes	July 31, 2018	July 31, 2017 Restated Note 3	July 31, 2016 Restated Note 3
ASSETS				
Current assets				
Cash and cash equivalents		\$ 20,236,630	\$ -	\$ -
Tax credit receivable	13	1,044,979	-	-
Amounts receivable		951,203	-	-
Prepaid expenses		464,219	-	-
Total current assets		22,697,031	-	-
Reclamation deposit	6	3,972,976	-	-
Property and equipment	7	1,028,325	-	-
TOTAL ASSETS		\$ 27,698,332	\$ -	\$ -
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,585,302	\$ 819,593	\$ 188,897
Current portion of equipment financing arrangement	8	211,431	-	-
Current portion of reclamation provision	6	259,000	-	-
Total current liabilities		3,055,733	819,593	188,897
Long-term portion of equipment financing arrangement	8	171,575	-	-
Flow-through share premium liability	9	4,117,630	-	-
Reclamation provision	6	3,182,361	-	-
Total liabilities		10,527,299	819,593	188,897
SHAREHOLDERS' EQUITY				
Share capital	9	38,325,859	1	1
Share purchase warrant reserve	10	6,764,206	-	-
Share-based payment reserve	11	3,331,632	-	-
Accumulated deficit	3	(31,250,664)	(819,594)	(188,898)
Total shareholders' equity		17,171,033	(819,593)	(188,897)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 27,698,332	\$ -	\$ -
Nature of operations	1			
Commitments and contingencies	17			
Subsequent events	19			
Approved on behalf of the Directors:				
<u>"Tom Olesinski"</u>		<u>"Justin Reid"</u>		
Director		Director		

TROILUS GOLD CORP.**Annual Consolidated Statements of Operations and Comprehensive Loss****(Expressed in Canadian dollars)**

		Years ended July 31,	
		2018	2017
			Restated Note 3
Expenses	Note		
Exploration and evaluation expenses	3,5,13	\$ 17,313,052	\$ 630,696
Reclamation estimate	6	3,500,653	-
General and administrative expenses	14	3,899,861	-
Stock-based compensation	11	3,153,240	-
Total expenses before other items		27,866,806	630,696
Other (income)/expenses			
Interest income		(145,647)	-
Flow-through share premium	9	(799,683)	-
Other gains and losses		2,458	-
Transaction expenses	5	3,507,136	-
Net comprehensive loss for the year		\$ 30,431,070	\$ 630,696
Net loss per share			
Basic and diluted		\$ 0.91	\$ 0.04
Weighted average common shares outstanding			
Basic and diluted		33,470,956	15,000,000

-- See accompanying notes to the Annual Consolidated Financial Statements --

TROILUS GOLD CORP.

Annual Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

		Years ended	
		July 31,	
	Note	2018	2017
			Restated
			Note 3
CASH FLOWS FROM:			
Operating activities			
Net loss for the period		\$ (30,431,070)	\$ (630,696)
Items not involving cash			
Share-based payments	11	3,153,240	-
Depreciation		33,690	-
Flow-through share premium	9	(799,683)	-
Reclamation estimate	6	3,441,361	-
Property acquisition costs	5	11,219,000	-
Transaction expenses	5	3,507,136	-
		<u>(9,876,326)</u>	<u>(630,696)</u>
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		(1,312,664)	-
Tax credit receivable		(1,044,979)	-
Accounts payable and accrued liabilities		980,155	630,696
		<u>(1,377,488)</u>	<u>630,696</u>
Cash flows used in operating activities		<u>(11,253,814)</u>	<u>-</u>
Financing activities			
Private placement proceeds	9	38,766,416	-
Share issue costs	9	(2,762,295)	-
Equipment lease payments		(85,030)	-
Cash flows from financing activities		<u>35,919,091</u>	<u>-</u>
Investing activities			
Cash acquired from reverse acquisition	5	138,308	-
Property and equipment		(593,979)	-
Payment of reclamation deposit		(3,972,976)	-
Cash flows from investing activities		<u>(4,428,647)</u>	<u>-</u>
Net change in cash and cash equivalents		20,236,630	-
Cash and cash equivalents, beginning of the year		-	-
Cash and cash equivalents, end of the year		<u>\$ 20,236,630</u>	<u>\$ -</u>
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		\$ 2,167,354	\$ -
Cash equivalents		18,069,276	-
		<u>\$ 20,236,630</u>	<u>\$ -</u>

-- See accompanying notes to the Annual Consolidated Financial Statements --

TROILUS GOLD CORP.

Annual Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share purchase warrant reserve	Share- based payment reserve	Accumulated Deficit	Total Shareholders' equity
Balance as at July 31, 2017		15,000,000	\$ 1	\$ -	\$ -	\$ (819,594)	\$ (819,593)
Private placement	9	14,030,000	23,009,200	-	-	-	23,009,200
Cost of issue		-	(1,583,415)	-	-	-	(1,583,415)
Value of warrants on private placement units	10	-	(6,764,206)	6,764,206			-
Flow-through financing	9	7,226,602	15,757,216	-	-	-	15,757,216
Cost of issue		-	(1,178,880)	-	-	-	(1,178,880)
Flow-through share premium	9	-	(4,917,313)	-	-	-	(4,917,313)
Shares issued on acquisition	5	10,000,000	11,220,000	-	-	-	11,220,000
Shares acquired on acquisition	5	2,480,620	2,783,256	-	-	-	2,783,256
Share-based compensation	11	-	-	-	3,153,240	-	3,153,240
Stock options acquired on acquisition	5	-	-	-	178,392	-	178,392
Net loss for the year		-	-	-	-	(30,431,070)	(30,431,070)
Balance as at July 31, 2018		48,737,222	\$ 38,325,859	\$ 6,764,206	\$ 3,331,632	\$ (31,250,664)	\$ 17,171,033
Balance as at July 31, 2016		15,000,000	\$ 1	\$ -	\$ -	\$ (188,898)	\$ (188,897)
Net loss for the year		-	-	-	-	(630,696)	(630,696)
Balance as at July 31, 2017		15,000,000	\$ 1	\$ -	\$ -	\$ (819,594)	\$ (819,593)

-- See accompanying notes to the Annual Consolidated Financial Statements --

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Troilus Gold Corp. (the “Company”) was continued under the laws of Ontario, Canada. In December 2017, the Company closed a transaction whereby it acquired the option to acquire a 100% interest in a past-producing gold mine located approximately 450 km northeast of Val-d’Or, Quebec (the “Troilus project”) through a reverse acquisition. The Company changed its name from Pitchblack Resources Ltd. (“Pitchblack”) to Troilus Gold Corp. upon closing. In April 2018, the Company exercised the option to acquire the Troilus project. The principal business of the Company is the exploration and future development of the Troilus project. The Company’s registered office is located at 65 Queen St. West, Suite 800, Toronto, Ontario, M5H 2M5. The Company’s shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol “TLG”. All dollar amounts are Canadian dollars unless otherwise noted.

The option to acquire the Troilus project was held by 2507868 Ontario Inc. (“250”) and 2513924 Ontario Inc. (“251”). 250, 251 and a newly incorporated subsidiary of the Company amalgamated on December 20, 2017, and the Company acquired 100% of the shares of the amalgamated entity, subsequently named TLG Project Inc. Management determined that this transaction constituted a reverse acquisition in accordance with the policies of the TSX-V whereby 250 acquired 251 and Pitchblack for accounting purposes. These consolidated financial statements include the results of operations of the Company and 251 from the date of the transaction, December 20, 2017 and the results of 250 since inception. The comparative figures are those of 250 prior to the reverse acquisition, except for adjusting retroactively the capital of 250 to reflect the capital of the Company, being the issuance of 15,000,000 common shares of the Company to the shareholder of 250 on completion of the reverse acquisition. The Company has adopted the fiscal year end of 250, which is July 31.

In May 2016, 250 entered into an option agreement with First Quantum Minerals Ltd. (“First Quantum”) to acquire the Troilus project. Under the terms of the option agreement, a minimum of \$1,000,000 must be spent on engineering and technical studies, and \$300,000 in cash payments. Option payments of \$100,000 were paid in each of May 2016, May 2017 and January 2018, and the Company met its expenditure commitment. The Company exercised the option in April 2018. A variable Net Smelter Royalty 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) has been granted to First Quantum. An additional 1% royalty on the Troilus project is held by another unrelated entity.

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.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS (continued)

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 annual consolidated financial statements of the Company for the year ended July 31, 2018 were approved and authorized for issue by the Board of Directors on October 10, 2018.

2. BASIS OF PRESENTATION AND COMPLIANCE

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in accordance with International Accounting Standards ("IAS") 1, Presentation of Financial Statements, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

These annual consolidated financial statements have been prepared on a going concern basis, under the historical cost basis. In addition, these annual consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. SIGNIFICANT ACCOUNTING POLICIES

These annual consolidated financial statements for the year ended July 31, 2018 have been prepared using the following accounting policies:

Change in accounting policy – Exploration and evaluation expenditures

In order to enhance the relevance to the decision-making needs of users and improve comparability with its peers, the Company has voluntarily changed its accounting policy with respect to exploration properties and deferred exploration expenditures, consistent with the guidance provided in IFRS 6 – Exploration for and Evaluation of Mineral Resources and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The new accounting policy was adopted on completion of the reverse acquisition and has been applied retrospectively. In prior periods the Company's policy was to defer exploration expenditures until such time as the properties are put into commercial production, sold or become impaired. The Company elected to change this accounting policy to expense exploration expenditures as incurred, effective the date of the reverse acquisition, on a retrospective basis.

The full accounting policy is as follows:

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral property rights, property option payments and exploration and evaluation activities.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Once a project has been established as commercially viable, technically feasible and the decision to proceed with development has been approved by the Board of Directors, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production.

The change in accounting policy requires full retrospective application. IAS 1 – Presentation of Financial Statements also requires a third statement of financial position be presented. As at July 31, 2016 and July 31, 2017, the following adjustments were recorded to the consolidated statements of financial position:

	As previously stated	Effect of change in accounting policy	As currently reported
At July 31, 2016:			
Exploration and evaluation assets	\$ 188,898	\$ (188,898)	\$ -
Accumulated deficit	-	(188,898)	(188,898)
At July 31, 2017:			
Exploration and evaluation assets	\$ 819,594	\$ (819,594)	\$ -
Accumulated deficit	-	(819,594)	(819,594)

As at July 31, 2018, the change in accounting policy had the following impact on the consolidated statements of financial position:

	Under previous accounting policy	Effect of change in accounting policy	As currently reported
Exploration and evaluation assets	\$ 21,633,299	\$ (21,633,299)	\$ -
Accumulated deficit	-	(21,633,299)	(21,633,299)

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

For the year ended July 31, 2017, the following adjustments were recorded to the annual consolidated statements of operations:

	As previously stated	Effect of change in accounting policy	As currently reported
Year ended July 31, 2017:			
Exploration and evaluation expenses	\$ -	\$ 630,696	\$ 630,696
Loss and comprehensive loss for the year	\$ -	\$ 630,696	\$ 630,696
Basic and diluted loss per share	\$0.00	\$0.04	\$0.04

For the year ended July 31, 2018, the change in accounting policy had the following impact on the annual consolidated statements of operations:

	Under previous accounting policy	Effect of change in accounting policy	As currently reported
Year ended July 31, 2018:			
Exploration and evaluation expenses	\$ -	\$ 17,313,052	\$ 17,313,052
Reclamation estimate		3,500,653	3,500,653
Loss and comprehensive loss for the year	\$ 9,617,365	\$ 20,813,705	\$ 30,431,070
Basic and diluted loss per share	\$0.29	\$0.62	\$0.91

Principles of consolidation

These annual consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Signet Minerals Inc. All significant intercompany transactions and balances have been eliminated upon consolidation. Certain subsidiaries of the Company were amalgamated during 2018.

Cash and cash equivalents

Cash and cash equivalents consist of cash in banks, short-term money market instruments, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without an early redemption feature and bank accounts subject to restrictions are not presented as cash equivalents.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash equivalents and amounts receivables.

Financial assets at fair value through profit or loss ("FVTPL"):

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statements of comprehensive loss.

The Company's financial assets classified as FVTPL include cash equivalents and reclamation deposits.

Loans and receivables:

Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

Cash, amounts receivable and reclamation deposit are classified as loans and receivables.

De-recognition:

Financial assets are de-recognized when the contractual rights to receive cash flows from the assets expire or when the Company no longer retains substantially all of the risks and rewards of ownership and does not retain control over the financial asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Impairment of financial assets:

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

The Company has classified accounts payable and accrued liabilities, and equipment financing arrangement as other financial liabilities.

De-recognition:

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Provisions

General:

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Reclamation provision:

The Company records the net present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in profit or loss.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment charges. The cost of property and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated decommissioning and restoration costs associated with the asset.

On initial acquisition, equipment is measured at cost. In subsequent periods, equipment is stated at cost less accumulated depreciation and any impairment charges. Depreciation is provided so as to write off the costs, less estimated residual values of equipment using the straight line method over their remaining useful lives, or the remaining life of the mine if shorter:

Computer and office equipment	2 years
Equipment	5 - 10 years
Drilling camp	10 - 15 years

When significant parts of an asset have different useful lives, depreciation is calculated on each separate component. Each asset or component's estimated useful life has due regard to both its own physical life limitations. Estimates of remaining useful lives and residual values are reviewed at least annually. Changes in estimates are accounted for prospectively.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Impairment testing compares the carrying values of the cash-generating units being tested with their recoverable amounts (recoverable amounts being the greater of the cash-generating units' value in use or their fair values less costs of disposal). Impairment charges are immediately recognized in profit or loss to the extent the cash-generating unit carrying values exceed their recoverable amounts. Should the recoverable amounts for previously impaired cash-generating units subsequently increase, the impairment charges previously recognized may be reversed in profit or loss to the extent the reversal is not a result of accretion and that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment charges had been previously recognized.

Property and equipment is assessed for indications of impairment at the end of each reporting period or when events and changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment, if any. The best evidence of fair value less costs of disposal is the value obtained from an active market or binding sales agreement. Where neither exists, fair value less costs of disposal is estimated at the discounted future after-tax cash flows expected to be derived from the cash generating unit, less an amount for costs of disposal. When discounting estimated future cash flows, an after-tax discount rate that would approximate what market participants would assign is used.

Interest revenue

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

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(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All stock options and warrants outstanding during July 31, 2018 and 2017 were excluded from the diluted loss per share calculation as they were anti-dilutive.

Government assistance

The Company expects to be entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec and to a mining duties credit, which are estimated and recorded against the exploration and evaluation expenses to which they relate.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference (“premium”) between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of loss when the eligible expenditures are incurred. The amount recognized as a flow-through share related liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. The Company indemnifies the subscribers of flow-through shares for additional taxes payable by the subscribers if the Company does not meet its expenditure requirements.

Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Foreign exchange gains and losses are presented in the consolidated statement of operations and comprehensive loss within “other gains and (losses)”.

The functional currency of the Company and its subsidiaries is the Canadian dollar.

Taxation

Current tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of operations because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

TROILUS GOLD CORP.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax:

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

New and future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. There was no material impact from the adoption of this standard.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. There will be no material impact of the adoption of this standard.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate a material impact upon the adoption of IFRS 9.

IFRS 16 – Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is currently evaluating the impact of the adoption of IFRS 16.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these annual 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 annual consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the annual 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:

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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.

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.

Share-based payments

Management determines costs for share-based payments 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 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. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

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

Valuation of the refundable duties credit for losses 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, the exploration and evaluation expenses, and the income tax expense in future periods.

The amounts recognized in the 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.

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.

Contingencies

Refer to Note 17.

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5. REVERSE ACQUISITION

On December 20, 2017, the Company completed a transaction which constituted a reverse acquisition.

The Company, formerly called Pitchblack, acquired an entity resulting from the amalgamation of 250, 251 and a newly created subsidiary of Pitchblack, called TLG Project Inc. 250 held the option to acquire a 100% interest in the Troilus project, and had previously granted 251 an irrevocable and exclusive option to acquire a 40% undivided interest in the Troilus project. Upon closing of the reverse acquisition, the Company issued 10,000,000 shares to the shareholders of 251 and 15,000,000 to the shareholders of 250 as consideration for their respective interest in the Troilus project. Upon amalgamation of these companies, the Company acquired a 100% interest in the option to acquire the Troilus project, subject to certain royalties.

250 had completed a private placement financing in November 2017 issuing 14,030,000 subscription receipts, with each subscription receipt entitling the holder to receive one common share of 250 and one common share purchase warrant. The subscription was priced at \$1.64 per subscription receipt, this price reflecting the four to one share consolidation of Pitchblack that was completed upon closing of the transaction. Also, at the closing of the transaction, the name change from Pitchblack Resources Ltd. to Troilus Gold Corp. took effect. For accounting purposes, 250 was treated as the accounting parent company (legal subsidiary), and the Company has been treated as the accounting subsidiary (legal parent) in these annual consolidated financial statements. 251 was also treated as a subsidiary. As 250 was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these annual consolidated financial statements at their historical carrying value. The Company's results of operations and those of 251 have been included from the transaction date, December 20, 2017. As Pitchblack and 251 did not qualify as a business according to the definition in IFRS 3 Business Combinations, this reverse acquisition does not constitute a business combination. It has been accounted for in accordance with IFRS 2 Share-based Payments, such that 250 is deemed to have issued shares in exchange for the net assets of Pitchblack and 251 together with Pitchblack's TSX-V listing status.

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Notes to the Annual Consolidated Financial Statements

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5. REVERSE ACQUISITION (continued)

	Pitchblack (now Troilus)	251
<u>Net assets of acquired:</u>		
Cash	\$ 138,308	\$ -
Amounts receivable and prepaid expenses	101,758	1,000
Due from 250	1,008,822	-
Investments	1,439	-
Accounts payable and accrued liabilities	(1,795,815)	-
	<u>\$ (545,488)</u>	<u>\$ 1,000</u>
<u>Consideration provided in reverse acquisition:</u>		
Fair value of 2,480,620 common shares at \$1.12 per share	\$ 2,783,256	\$ -
Fair value of 10,000,000 common shares at \$1.12 per share	-	11,220,000
Revaluation of outstanding Pitchblack stock options	178,392	-
	<u>\$ 2,961,648</u>	<u>\$ 11,220,000</u>
<u>Net assets acquired less consideration provided</u>	<u>\$ (3,507,136)</u>	<u>\$ (11,219,000)</u>
<u>Allocation of purchase price:</u>		
Transaction expense	<u>\$ 3,507,136</u>	<u>\$ -</u>
Exploration and evaluation expense	<u>\$ -</u>	<u>\$ 11,219,000</u>

As part of the reverse acquisition, Pitchblack acquired amounts due to the former shareholders of 250.

The quantity of 250 shares outstanding has been retroactively updated to reflect the number of shares issued to the shareholder of 250 on closing of the reverse acquisition.

The transaction was measured at the fair value of the shares that 250 would have had to issue to the shareholders of Pitchblack to give the shareholders of Pitchblack the same percentage equity interest in the combined entity had the transaction taken the legal form of 250 acquiring Pitchblack. The fair value of the common shares at \$1.12 per share was based on the value of the shares issued in 250's private placement of subscription units, including one share and one share purchase warrant per unit. The value of the warrants of \$0.52 per warrant was estimated using the Black-Scholes model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.51% and expected average life of three years, and was backed out of the unit price to determine the value of the shares alone.

On completion of the reverse acquisition, 2227929 Ontario Inc. held 5,376,375 shares of the Company.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

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6. RECLAMATION DEPOSIT AND PROVISION

In April 2018, upon the exercise of the option to acquire the Troilus project from First Quantum, the Company was required to post a reclamation deposit of \$3,972,976 with the government of Quebec. This deposit serves as security against current and future estimated reclamation obligations at the Troilus site from historical mining activity.

After exercising the option to acquire the Troilus project, the Company recognized a provision for future estimated reclamation and water treatment costs of the former Troilus mine. The estimated future liability of approximately \$4,200,000 was discounted at a rate of 2.31% and recorded as \$3,441,361, \$259,000 as a current liability and \$3,182,361 as a long-term liability. This estimate assumes that future mining operations would never resume and as management continues its exploration program, works towards a future mining scenario, and carries out reclamation work, the reclamation provision will be adjusted accordingly.

7. PROPERTY AND EQUIPMENT

	<u>Computer and office equipment</u>	<u>Equipment</u>	<u>Drilling camp</u>	<u>TOTAL</u>
<i>Cost</i>				
Balance, July 31, 2017	\$ -	\$ -	\$ -	\$ -
Additions	15,242	87,350	959,423	1,062,015
Balance, July 31, 2018	\$ 15,242	\$ 87,350	\$ 959,423	\$ 1,062,015
<i>Depreciation</i>				
Balance, July 31, 2017	\$ -	\$ -	\$ -	\$ -
Expense for the period	(2,395)	(1,619)	(29,676)	(33,690)
Balance, July 31, 2018	\$ (2,395)	\$ (1,619)	\$ (29,676)	\$ (33,690)
Net book value, July 31, 2017	\$ -	\$ -	\$ -	\$ -
Net book value, July 31, 2018	\$ 12,847	\$ 85,731	\$ 929,747	\$ 1,028,325

During the year ended July 31, 2018, the Company set up a camp at the Troilus project site for the exploration team and contract drillers. The Company entered into a financing arrangement to acquire a camp facility which was delivered to the Troilus project site during the year ended July 31, 2018 (Note 8). The total cost of \$959,423 includes installation costs (for example, hydro lines, sewage and other infrastructure costs). An amount of \$33,690 was expensed in depreciation within profit and loss for the year ended July 31, 2018 (year ended July 31, 2017: \$nil)

TROILUS GOLD CORP.

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8. EQUIPMENT FINANCING ARRANGEMENTS

The Company entered into a financing arrangement to acquire a camp facility in March 2018 with total payments of \$495,020. Pursuant to this arrangement, the Company is required to make monthly payments of \$18,815 over a period of 24 months, with the option to buy the camp facility at the end of the term. The terms of the arrangement did not stipulate an interest rate, and as a result, the Company estimated a borrowing rate of 10%, with a deemed value for the financed camp facility of \$468,036. As at July 31, 2018, an amount of \$211,431 was recorded as the current portion of this obligation and \$171,575 was recorded as the long-term portion.

9. SHARE CAPITAL

	No. of Shares	Balance
Balance as at July 31, 2017 and 2016	15,000,000	\$ 1
Private placement	14,030,000	23,009,200
Cost of issue	-	(1,583,415)
Allocation of value of warrants on private placement units	-	(6,764,206)
Flow-through share financing	7,226,602	15,757,216
Cost of issue	-	(1,178,880)
Premium on flow-through shares	-	(4,917,313)
Shares issued on acquisition of 251	10,000,000	11,220,000
Shares acquired on acquisition of Pitchblack	2,480,620	2,783,256
Balance as at July 31, 2018	48,737,222	\$ 38,325,859

On November 21, 2017, 250 closed a private placement offering of 14,030,000 subscription receipts at a price of \$1.64 per subscription receipt for gross proceeds of \$23,009,200. Each subscription receipt entitled the holder to receive one common share of 250 and one common share purchase warrant upon satisfaction of the escrow release conditions, where each warrant entitled the holder to acquire one common share of 250 at a price of \$2.50 per share, expiring November 21, 2020. The proceeds raised pursuant to the offering were deposited into escrow, and were released upon the closing of the amalgamation and acquisition transactions on December 20, 2017 to the Company. The subscription receipts automatically converted on the closing of the transactions into common shares and warrants of 250, and these were then immediately exchanged for common shares and warrants of the Company on a one-for-one basis. The underwriters were paid a cash commission of either 3% or 6% of the gross proceeds raised. Total issue costs amounted to \$1,583,415, which also included legal costs. 2227929 Ontario Inc. owns 5,376,375 common shares of the Company as a result of the reverse acquisition (Note 5) and currently owns 11% of the Company's issued and outstanding shares (see Note 16). Directors and officers at the time of this financing subscribed for 45,732 subscription receipts.

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Notes to the Annual Consolidated Financial Statements

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9. SHARE CAPITAL (continued)

In June 2018, the Company closed a bought-deal private placement financing, issuing 4,070,000 shares sold on a charitable flow-through basis, at a price of \$2.46 per charitable flow-through share for gross proceeds of \$10,012,200. The Company also issued 3,156,602 traditional flow-through shares at a price of \$1.82 per share for gross proceeds of \$5,745,015. The Company paid a cash commission of 6% of the gross proceeds. Total issue costs amounted to \$1,178,880, which include legal costs. A premium at an average of \$0.31 per dollar raised was calculated on these issuances based on the excess issue price over the quoted market price at the date of issue, and the Company consequently recorded a flow-through liability of \$4,917,313 at the time of issuance. As the Company incurs eligible expenditures against this liability, the Company reduces the liability at the same premium rate and records this as a flow-through premium recovery on the statement of operations. As at July 31, 2018, the liability was reduced by \$799,683, leaving a total liability at July 31, 2018 of \$4,117,630.

Directors and officers subscribed for 134,000 shares with respect to this financing.

10. SHARE PURCHASE WARRANT RESERVE

	Number of Warrants	Weighted Average Exercise Price	Value (\$)
Balance as at July 31, 2017 and 2016	-	\$ -	-
Issuance from private placement	14,030,000	\$2.50	6,764,206
Balance as at July 31, 2018	14,030,000	\$2.50	6,764,206

The value of the warrants was estimated using the Black-Scholes option-pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.51% and expected average life of three years.

The following table summarizes the warrants outstanding as at July 31, 2018:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value (\$)	Weighted Average Remaining Contractual Life (years)
\$2.50	November 21, 2020	14,030,000	14,030,000	6,764,206	2.31
		14,030,000	14,030,000	6,764,206	2.31

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11. SHARE-BASED PAYMENTS 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. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed five years.

	Number of options	Weighted average exercise price	Value
Balance as at July 31, 2017 and 2016	-	\$ -	\$ -
Granted	4,005,000	\$1.63	3,153,240
Options issued on Pitchblack acquisition	206,250	\$0.76	178,392
Balance as at July 31, 2018	4,211,250	\$1.59	\$ 3,331,632

In January 2018, the Company granted 3,905,000 stock options to directors, officers, employees and consultants of the Company. The value of these options was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.86% and 2.03% and expected average life of five years. In June 2018, the Company granted 100,000 stock options to employees and consultants of the Company. The value of these options was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.98% and expected average life of five years. As a result, the Company recorded a stock-based compensation expense of \$3,153,240 to the consolidated statement of operations for the year ended July 31, 2018.

As a result of the reverse acquisition, holders of outstanding Pitchblack options converted their options to those of the Company. The value of these options was estimated to be \$178,392 and was included in the listing transaction expense. This value was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.74% and expected average life of 3.88 and 4.33 years.

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11. SHARE-BASED PAYMENTS RESERVE (continued)

The following table summarizes the stock options outstanding as at July 31, 2018:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$ 0.40	November 7, 2021	112,500	112,500	3.27
\$ 1.20	April 20, 2022	93,750	93,750	3.72
\$ 1.64	January 3, 2023	3,900,000	3,900,000	4.43
\$ 2.20	January 22, 2023	5,000	5,000	4.48
\$ 1.25	June 22, 2023	100,000	100,000	4.90
	Total	4,211,250	4,211,250	4.39

12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at July 31, 2018, 2017 and 2016 were classified as follows:

	Loans and receivables	Assets at fair value through profit or loss	Other financial liabilities	Total
As at July 31, 2018				
Cash and cash equivalents	\$ 2,167,354	\$ 18,069,276	\$ -	\$ 20,236,630
Reclamation deposit	3,972,976	-	-	3,972,976
Accounts payable and accrued liabilities	-	-	2,585,302	2,585,302
Equipment financing arrangements	-	-	383,006	383,006
	Loans and receivables	Assets at fair value through profit or loss	Other financial liabilities	Total
As at July 31, 2017				
Accounts payable and accrued liabilities	-	-	819,593	819,593
	Loans and receivables	Assets at fair value through profit or loss	Other financial liabilities	Total
As at July 31, 2016				
Accounts payable and accrued liabilities	-	-	188,897	188,897

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12. FINANCIAL INSTRUMENTS (continued)

The carrying value of cash, amounts receivable, reclamation deposit and accounts payable and accrued liabilities approximate fair value due to the short-term nature of the financial instruments. The carrying value of the equipment financing arrangement approximates fair value due to the short amount of time that has passed since its inception.

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 July 31, 2018:

	Level 1	Level 2	Level 3	TOTAL
As at July 31, 2018				
Cash equivalents	18,069,276	-	-	18,069,276

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 years ended July 31, 2018 and 2017.

Credit risk

The Company's credit risk is primarily attributable to cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable 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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12. 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 July 31, 2018, the Company had current assets of \$21,652,052 to settle current liabilities of \$3,055,733. Approximately \$2,170,000 of the Company's financial liabilities as at July 31, 2018 have contractual maturities of less than 30 days and are subject to normal trade terms.

Liability	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Accounts payable and accrued liabilities	\$ 2,585,302	\$ 2,585,302	\$ -	\$ -	\$ -
Equipment financing arrangements	383,006	211,431	171,575	-	-
Reclamation provision	3,441,361	259,000	432,959	389,066	2,360,337

Market risk - Interest rate risk

The Company's cash equivalents are subject to interest rate cash flow risk as they carry variable rates of interest. 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 July 31, 2018, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$20,000.

13. EXPLORATION AND EVALUATION EXPENSES

	Years ended July 31,	
	2018	2017
Exploration and evaluation expenses:		
Drilling, assaying and geology	\$ 3,998,445	\$ -
Salaries, payroll costs and consultants	1,521,255	373,000
Site and camp costs	447,506	-
Support and other costs	311,130	-
Studies	260,558	38,394
Government and community relations	58,889	54,000
Travel	138,001	36,323
Troilus project acquisition costs	403,247	128,979
Tax credits receivable	(1,044,979)	-
Non-cash property acquisition cost	11,219,000	-
	<u>\$ 17,313,052</u>	<u>\$ 630,696</u>

The Company has accrued \$1,044,979 in estimated government tax credits receivable, applied against the exploration and evaluation costs to which it relates.

TROILUS GOLD CORP.

Notes to the Annual Consolidated Financial Statements

For the years ended July 31, 2018 and 2017

(Expressed in Canadian dollars)

14. GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended July 31,	
	2018	2017
General and administrative expenses :		
Salaries, payroll costs and consultants	\$ 2,506,082	\$ -
Professional costs	210,224	-
Shareholder communications	899,772	-
Office and general	187,748	-
Travel	43,611	-
Depreciation	33,690	-
Mining claim costs, non-core properties	18,734	-
	<u>\$ 3,899,861</u>	<u>\$ -</u>

15. 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 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 years ended July 31, 2018 and 2017.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of July 31, 2018, the Company believes it is compliant with the policies of the TSX-V.

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16. 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

The Company shares office space, resources and certain services with other corporations that may have common directors and/or officers. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee of \$20,000, which commenced January 1, 2018. 2227929 Ontario Inc. does not have any officers or directors in common with the Company; however 2227929 Ontario Inc. owns 11% of the Company's issued and outstanding shares (Notes 5 and 9).

Sulliden Mining Capital Inc. ("Sulliden") was the former shareholder of 250 and funded 250's operations prior to the closing of the transaction to acquire the Troilus project. The Company's CEO, Mr. Justin Reid, the Company's President, Mr. Paul Pint and the Company's Executive Director, Mr. Peter Tagliamonte, are former officers of Sulliden, having resigned subsequent to the closing of the transaction. Mr. Pierre Pettigrew, a director of the Company, is also a director of Sulliden. Mr. Bruce Humphrey, appointed a director of the Company subsequent to the end of the year, was also a member of the Board of Directors of Sulliden, having resigned from Sulliden's board of directors before his appointment to the Company's board. During the year ended July 31, 2018, the Company was charged \$55,521 for costs paid by Sulliden, on behalf of the Company, after the closing of the transaction.

Compensation of key management personnel of the Company

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

	Years ended	
	July 31,	
	2018	2017
Management salaries and fees	\$ 1,387,690	\$ -
Directors fees	118,750	-
Share-based payments	2,131,783	-
	<u>\$ 3,638,223</u>	<u>\$ -</u>

Some directors and officers subscribed for shares or subscription receipts during the year (Note 9).

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.

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17. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$1,500,000 and additional contingent payments of approximately \$5,800,000 upon the occurrence of a change of control. 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.

In April 2018, the Company entered into a finance lease to acquire a camp facility. The lease term is for 24 months. See Note 8.

The Troilus project is subject to a variable net smelter royalty of 1.5% or 2.5%, depending on whether the price of gold is above or below US\$1,250 per ounce, as well as an additional 1% royalty.

As a result of the Company's flow-through financings in June 2018 (Note 9), the Company is committed to incur \$15,757,216 in qualifying resource expenditures. The Company will file its renunciation forms subsequent to December 31, 2018. As at July 31, 2018, the Company had incurred qualifying resource expenditures of \$2,562,531, and is committed to incur a balance of \$13,194,685 before December 31, 2019.

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.

18. INCOME TAX

a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the federal statutory rate of 26.5% (2017: 26.5%) were as follows:

	July 31, 2018	July 31, 2017
	\$	\$
(Loss) before income taxes	(30,431,070)	-
Expected income tax (recovery) based on statutory rate	(8,064,000)	-
Adjustment to expected income tax benefit:		
Stock-based compensation	836,000	-
Other	3,902,000	-
Change in benefit of tax losses not recognized	3,326,000	-
Deferred income tax (recovery)	-	-

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18. INCOME TAX (continued)

b) Deferred income tax balances

Deferred income tax assets have not been recognized in respect of the following temporary differences:

	July 31, 2018 \$	July 31, 2017 \$
Non-capital loss carry-forwards	12,288,000	-
Share issue costs	2,210,000	-
Unused exploration and evaluation expenses	8,953,000	-
Other temporary differences	3,237,000	-
Total	26,688,000	-

Deferred tax asset pools have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

c) Non-capital losses

The Company has non-capital losses in Canada, which under certain circumstances may be used to reduce the taxable income of future years. The non-capital losses expire as follows:

Expiry Date

2028	\$ 556,000
2029	612,000
2030	849,000
2031	36,000
2033	2,822,000
2034	1,294,000
2036	523,000
2037	1,240,000
2038	4,356,000

\$ 12,288,000

19. SUBSEQUENT EVENTS

In September 2018, the Company granted 660,000 stock options to officers, directors, employees and consultants of the Company at an exercise price of \$1.20 per common share, expiring five years from the date of grant.