



TROILUS

TROILUS GOLD CORP.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the three and six months ended
January 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		January 31, 2020	July 31, 2019
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	12	\$ 2,558,588	\$ 6,337,689
Tax credit receivable	13	1,345,164	832,164
Amounts receivable	5	631,487	1,275,635
Prepaid expenses		522,433	492,418
Total current assets		5,057,672	8,937,906
Reclamation deposits	6	1,639,190	1,639,190
Property and equipment	3,7	5,299,299	2,549,975
TOTAL ASSETS		\$ 11,996,161	\$ 13,127,071
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 2,597,587	\$ 1,500,438
Current portion of lease liabilities	3,8	715,706	532,133
Flow-through share premium liability	9	273,005	-
Current portion of reclamation provision	6	105,964	91,654
Total current liabilities		3,692,262	2,124,225
Long-term portion of lease liabilities	3,8	716,031	15,060
Reclamation provision	6	3,597,666	3,580,741
Total liabilities		8,005,959	5,720,026
SHAREHOLDERS' EQUITY			
Share capital	9	53,800,529	47,709,419
Share purchase warrant reserve	10	6,764,206	6,764,206
Share-based payment reserve	11	320,987	195,576
Accumulated deficit		(56,895,520)	(47,262,156)
Total shareholders' equity		3,990,202	7,407,045
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 11,996,161	\$ 13,127,071
Nature of operations	1		
Commitments and contingencies	18		
Subsequent events	19		

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)

	Notes	Three months ended		Six months ended	
		January 31,		January 31,	
		2020	2019	2020	2019
Expenses					
Exploration and evaluation expenses	13	\$ 3,944,101	\$ 5,184,382	\$ 6,294,228	\$ 8,093,323
Reclamation estimate	6	42,126	147,060	69,465	175,380
General and administrative expenses	14	1,678,136	1,649,778	2,818,069	2,718,741
Share-based payments	11	1,084,165	-	1,084,165	594,000
Total expenses before other items		6,748,528	6,981,220	10,265,927	11,581,444
Other (income)/expenses					
Interest income		(26,074)	(60,685)	(54,036)	(137,927)
Interest on lease liabilities	8	51,899	10,619	106,680	22,805
Flow-through share premium	9	(630,412)	(794,042)	(813,012)	(1,671,980)
Accretion of reclamation provision	6	11,568	2,803	26,074	6,576
Other expenses	15	38,297	885	63,473	12,136
Net loss and comprehensive loss for the period		\$ 6,193,806	\$ 6,140,800	\$ 9,595,106	\$ 9,813,054
Net loss per share					
Basic and diluted		\$ 0.09	\$ 0.12	\$ 0.14	\$ 0.20
Weighted average common shares outstanding					
Basic and diluted		69,627,914	51,060,592	66,809,993	49,905,255

Certain comparative figures have been reclassified to conform to the presentation in the current period.

TROILUS GOLD CORP.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Six months ended January 31,	
		2020	2019
CASH FLOWS FROM:			
Operating activities			
Net loss for the period		\$ (9,595,106)	\$ (9,813,054)
Items not involving cash			
Share-based payments	11	1,084,165	594,000
Shares issued for property acquisition	9, 13	201,000	2,268,750
Depreciation	3, 7	393,002	100,890
Flow-through share premium	9	(813,012)	(1,671,980)
Reclamation estimate adjustment	6	69,465	175,380
Reclamation costs incurred	6	(64,304)	(91,714)
Accretion of reclamation estimate	6	26,074	6,576
		<u>(8,698,716)</u>	<u>(8,431,152)</u>
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		614,133	571,513
Tax credit receivable		(513,000)	930,765
Accounts payable and accrued liabilities		571,799	(1,631,831)
		<u>672,932</u>	<u>(129,553)</u>
Cash flows used in operating activities		<u>(8,025,784)</u>	<u>(8,560,705)</u>
Financing activities			
Private placement proceeds	9	6,222,954	-
Share issue costs	9	(205,581)	-
Lease payments	3, 8	(587,255)	(244,965)
Cash flows from/(used in) financing activities		<u>5,430,118</u>	<u>(244,965)</u>
Investing activities			
Property and equipment	7	(1,183,435)	(497,115)
Payment of reclamation deposit	6	-	(50,000)
Cash flows used in investing activities		<u>(1,183,435)</u>	<u>(547,115)</u>
Net change in cash and cash equivalents		(3,779,101)	(9,352,785)
Cash and cash equivalents, beginning of the period		6,337,689	20,236,630
Cash and cash equivalents, end of the period		\$ 2,558,588	\$ 10,883,845
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		\$ 109,692	\$ 658,641
Cash equivalents		2,448,896	10,225,204
		<u>\$ 2,558,588</u>	<u>\$ 10,883,845</u>
SUPPLEMENTARY INFORMATION			
Equipment purchased through leases	7, 8	\$ 396,545	\$ 600,010
Working capital related to property and equipment	7	525,350	-

-- See accompanying notes to the Condensed Interim Consolidated Financial Statements --

TROILUS GOLD CORP.

Condensed Interim 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, 2019		62,060,578	\$ 47,709,419	\$ 6,764,206	\$ 195,576	\$ (47,262,156)	\$ 7,407,045
Adjustment on initial application of IFRS 16	3	-	-	-	-	(38,258)	(38,258)
Balance as at August 1, 2019		62,060,578	47,709,419	6,764,206	195,576	(47,300,414)	7,368,787
Private placement financing	9	7,036,900	6,222,954	-	-	-	6,222,954
Cost of issue	9	-	(205,581)	-	-	-	(205,581)
Flow-through share premium	9	-	(1,086,017)	-	-	-	(1,086,017)
Shares issued for property acquisition	13	300,000	201,000	-	-	-	201,000
Share-based payments	11	1,475,006	958,754	-	(958,754)	-	-
Value of share-based compensation		-	-	-	1,084,165	-	1,084,165
Net loss for the period		-	-	-	-	(9,595,106)	(9,595,106)
Balance as at January 31, 2020		70,872,484	\$ 53,800,529	\$ 6,764,206	\$ 320,987	\$ (56,895,520)	\$ 3,990,202
Balance as at July 31, 2018		48,737,222	\$ 38,325,859	\$ 6,764,206	\$ 3,331,632	\$ (31,250,664)	\$ 17,171,033
Shares issued for property acquisition		3,750,000	2,268,750	-	-	-	2,268,750
Share-based payments		-	-	-	594,000	-	594,000
Net loss for the period		-	-	-	-	(9,813,054)	(9,813,054)
Balance as at January 31, 2019		52,487,222	\$ 40,594,609	\$ 6,764,206	\$ 3,925,632	\$ (41,063,718)	\$ 10,220,729

-- See accompanying notes to the Condensed Interim Consolidated Financial Statements --

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars)

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 approximately 450 km northeast of Val-d’Or, 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, 4th 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 and six months ended January 31, 2020 were approved and authorized for issue by the Board of Directors on March 5, 2020.

2. BASIS OF PRESENTATION AND COMPLIANCE

These condensed interim 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, 2019 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 and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION AND COMPLIANCE (continued)

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. NEW AND FUTURE ACCOUNTING POLICIES

New accounting policies

The Company has adopted the following new standards and amendments, effective August 1, 2019.

a) IFRS 16 – Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The Company has adopted this policy effective August 1, 2019 and has used the modified retrospective approach.

The Company’s accounting policy for leases under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset (“ROU” asset) and a lease liability at the commencement date. The ROU asset is initially measured at cost, based on the initial measurement of the lease liability and includes any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The ROU asset is periodically adjusted for certain remeasurements of the lease liability. The Company has elected to separate non-lease components. ROU assets are included in Property and Equipment in the consolidated statement of financial position.

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

(Expressed in Canadian dollars)

3. NEW AND FUTURE ACCOUNTING POLICIES (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments, if there is a change in the Company's estimate of the amount to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset.

The Company does not recognize ROU assets and lease liabilities for leases of low-value assets, leases with terms that are less than 12 months and arrangements for the use of land that grant the Company the right to explore, develop, produce or otherwise use the mineral resource contained in that land. Payments for these leases are recognized on a straight-line basis as an expense in the consolidated statement of operations.

Impact of transition to IFRS 16:

Effective August 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for the comparative period has not been restated and remain as previously reported under IAS 17. The cumulative effect of initial application is recognized in deficit at August 1, 2019.

The Company leases various assets including office space, vehicles and equipment. On initial application, the Company recorded ROU assets based on the corresponding lease liabilities, which have been measured by discounting future lease payments at either the implicit rate or the incremental borrowing rate at August 1, 2019. The incremental borrowing rate applied was 15% per annum and represents the Company's best estimate of the rate of interest it would expect to pay to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in the current economic environment.

The Company has elected to use the following practical expedients permitted by the standard:

- the accounting for leases with a remaining lease term of less than 12 months as at August 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application.

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Notes to the Condensed Interim Consolidated Financial Statements
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3. NEW AND FUTURE ACCOUNTING POLICIES (continued)

The impact to the financial statements on transition is summarized below:

	Balance at July 31, 2019 <i>(as reported)</i>	IFRS 16 Adjustments	Balance at August 1, 2019 <i>(post adoption)</i>
Assets			
Property and equipment	\$ 2,549,975	\$ 1,036,996	\$ 3,586,971
Liabilities			
Current portion of equipment financing arrangements	532,133	(532,133)	-
Long-term portion of equipment financing arrangements	15,060	(15,060)	-
Current portion of lease liabilities	-	762,000	762,000
Long-term portion of lease liabilities	-	860,447	860,447
Equity			
Accumulated deficit	(47,262,156)	(38,258)	(47,300,414)

A reconciliation of operating lease commitments previously reported and the amount of the lease liability recognized on transition is as follows:

	August 1, 2019
Operating lease obligations at July 31, 2019	\$ 2,000,509
Non-lease components of obligations	(790,343)
Estimated extension options on leases	195,876
Equipment financing arrangements reassessed as leases under IFRS 16	547,193
Effect from discounting using the incremental borrowing rate	(330,788)
Lease liabilities recognized as IFRS 16 adjustment at August 1, 2019	\$ 1,622,447

In the comparative period, the Company classified leases that transfer substantially all of the risks and rewards of ownership as financing arrangements. Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

b) 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. Effective August 1, 2019, the Company has adopted this amendment and has determined that there is no material impact or disclosure required.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2020 and 2019

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3. NEW AND FUTURE ACCOUNTING POLICIES (continued)

c) IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Effective August 1, 2019, the Company has adopted this interpretation and there was no material impact to the financial statements upon the adoption.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim 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:

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.

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Notes to the Condensed Interim Consolidated Financial Statements

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4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

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.

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.

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(Expressed in Canadian dollars)

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

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, the exploration and evaluation expenses, and the income tax expense in future periods.

Contingencies

Refer to Note 18.

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

	January 31, 2020	July 31, 2019
Input tax credits receivable	\$ 503,251	\$ 1,089,053
Camp rental receivable	14,082	69,316
Other miscellaneous receivables	114,154	117,266
	<u>\$ 631,487</u>	<u>\$ 1,275,635</u>

The Company rents available rooms at its exploration camp to third parties periodically. This income is applied against site and camp costs within exploration and evaluation expenses.

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Notes to the Condensed Interim Consolidated Financial Statements

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6. RECLAMATION DEPOSITS AND PROVISION

Deposits:

During the previous year, the Company purchased an underwritten bond from an insurance company in order to recover a reclamation deposit 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.

Provision:

The Company recognized a provision for future estimated reclamation and water treatment costs of the former Troilus mine. As at January 31, 2020, the estimated future liability of approximately \$3,530,000 (July 31, 2019: \$3,560,000), was adjusted for inflation, discounted at a rate of 1.42% (July 31, 2019: 1.70%) and recorded as \$3,703,630, \$105,964 as a current liability and \$3,597,666 as a long-term liability (July 31, 2019: \$3,672,395, \$91,654 as a current liability and \$3,580,741 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, \$42,126 and \$69,465 was recorded as an adjustment to the reclamation estimate to the consolidated statements of operations for the three and six months ended January 31, 2020 respectively (three and six months ended January 31, 2019: \$147,060 and \$175,380 respectively). Accretion of \$11,568 and \$26,074 was recognized for the three and six months ended January 31, 2020 respectively on the consolidated statements of operations (three and six months ended January 31, 2019: \$2,803 and \$6,576 respectively).

Balance as at July 31, 2019	\$	3,672,395
Accretion of discount		26,074
Adjustments resulting from remeasurement		69,465
Incurred costs applied against liability		(64,304)
Balance as at January 31, 2020	\$	3,703,630
Current portion of liability	\$	105,964
Long-term portion of liability		3,597,666
	\$	3,703,630

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

	<u>Computer and office equipment</u>	<u>Leaseholds, improvements and furniture</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Drilling camp</u>	<u>TOTAL</u>
<i>Cost</i>						
Balance, July 31, 2019	\$ 75,465	\$ 360,374	\$ 75,750	\$ 312,270	\$ 1,978,877	\$ 2,802,736
Initial application of IFRS 16 (Note 3)	-	822,310	143,868	-	186,270	1,152,448
Additions	34,664	75,773	-	1,117,486	877,407	2,105,330
Balance, January 31, 2020	\$ 110,129	\$ 1,258,457	\$ 219,618	\$ 1,429,756	\$ 3,042,554	\$ 6,060,514
<i>Depreciation</i>						
Balance, July 31, 2019	\$ (18,411)	\$ (197)	\$ (7,118)	\$ (22,772)	\$ (204,263)	\$ (252,761)
Initial application of IFRS 16 (Note 3)	-	(79,893)	(16,797)	-	(18,762)	(115,452)
Expense for the period	(19,825)	(133,501)	(35,501)	(52,136)	(152,039)	(393,002)
Balance, January 31, 2020	\$ (38,236)	\$ (213,591)	\$ (59,416)	\$ (74,908)	\$ (375,064)	\$ (761,215)
Net book value, July 31, 2019	\$ 57,054	\$ 360,177	\$ 68,632	\$ 289,498	\$ 1,774,614	\$ 2,549,975
Net book value, January 31, 2020	\$ 71,893	\$ 1,044,866	\$ 160,202	\$ 1,354,848	\$ 2,667,490	\$ 5,299,299

An amount of \$211,589 and \$393,002 was expensed in depreciation for the three and six months ended January 31, 2020, where \$159,901 and \$291,645 was recorded as exploration and evaluation expenses and \$51,688 and \$101,357 was recorded as general and administrative expenses for the three and six months ended January 31, 2020 respectively (three and six months ended January 31, 2019: \$55,871 and \$100,890, all of which was allocated to exploration and evaluation expenses).

In addition to the ROU assets recorded on initial application of IFRS 16 at August 1, 2019, the Company acquired \$396,545 in assets through leases and financing arrangements (Note 8) during the six months ended January 31, 2020. As well, the Company acquired \$1,039,760 in assets through a short-term payment plan, with the liability recorded through accounts payable and accrued liabilities.

8. LEASE LIABILITIES

Balance as at July 31, 2019	\$ 547,193
Initial application of IFRS 16 (Note 3)	1,075,254
Assets acquired from leases and financing arrangements	396,545
Payments made during the period	(587,255)
Balance as at January 31, 2020	\$ 1,431,737
Current portion of lease liability	\$ 715,706
Long-term portion of lease liability	716,031
	\$ 1,431,737

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8. LEASE LIABILITIES (continued)

During the six months ended January 31, 2020, the Company entered into financing arrangements to acquire \$396,545 of infrastructure, with monthly payments to be made within one year. The Company's existing leases include office leases, vehicle leases, and leases for certain infrastructure, with terms between 2 months and 4.3 years. Interest expense recognized on these leases for the three and six months ended January 31, 2020 was \$51,899 and \$106,680 respectively (three and six months ended January 31, 2019: \$10,619 and \$22,805 respectively).

During the three and six months ended January 31, 2020, the Company paid \$99,942 and \$244,194 respectively in equipment and space rentals for short-term leases (three and six months ended January 31, 2019: \$44,441 and \$126,166 respectively) which was recorded to exploration and evaluation expenses on the statement of operations. Also included in exploration and evaluation expenses on the statement of operations for the three and six months ended January 31, 2019 is \$43,321 and \$73,642 respectively in lease payments which in the current period fall under the IFRS 16 treatment for leases (Note 3).

9. SHARE CAPITAL

	No. of Shares	Balance
Balance as at July 31, 2019	62,060,578	\$ 47,709,419
Private placement financing	7,036,900	6,222,954
Cost of issue	-	(205,581)
Flow-through share premium	-	(1,086,017)
Property acquisition (Note 13)	300,000	201,000
Share-based payments (Note 11)	1,475,006	958,754
Balance as at January 31, 2020	70,872,484	\$ 53,800,529

In October 2019, the Company closed a private placement financing raising gross proceeds of \$6,222,954 from the issuance of 7,036,900 common shares of the Company that qualify as flow-through shares. The shares were issued in tranches, whereby the first tranche included 5,813,900 flow through shares priced at \$0.86 per share issued to investors resident outside of the province of Quebec, and the second tranche included 1,223,000 flow-through shares priced at \$1.00 issued to investors resident in Quebec. The Company paid issues costs of \$205,581 related to this financing, which includes advisory and finder's fees as well as legal costs.

The gross proceeds from the issuance of these flow-through shares will be used to incur qualifying eligible expenditures. In January 2020, the Company renounced the qualifying expenditures with an effective date of December 31, 2019. The Company recorded a flow-through liability of \$1,086,017 based on a calculated premium at an average of \$0.17 per dollar raised, calculated based on the excess issue price over the quoted market price at the date 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 January 31, 2020, the liability was reduced to \$273,005 and a flow-through premium recovery of \$630,412 and \$813,012 was recorded for the three and six months ended January 31, 2020 respectively (three and six months ended January 31, 2019: \$794,042 and \$1,671,980 respectively).

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10. SHARE PURCHASE WARRANT RESERVE

The following table summarizes the warrants outstanding as at January 31, 2020 and July 31, 2019:

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	0.81
		14,030,000	14,030,000	6,764,206	0.81

The outstanding warrants were granted in November 2017 with a private placement offering. 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.

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. 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 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.

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 Value	RSU Value	TOTAL
Balance as at July 31, 2019	\$ 195,576	\$ -	\$ 195,576
RSU expense accrued	-	1,084,165	1,084,165
Value of RSUs vested	-	(958,754)	(958,754)
Balance as at January 31, 2020	\$ 195,576	\$ 125,411	\$ 320,987

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11. SHARE-BASED PAYMENTS RESERVE (continued)

Stock Options:

The following table summarizes the stock options outstanding as at January 31, 2020 and July 31, 2019:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value (\$)	Weighted Average Remaining Contractual Life
\$ 1.64	January 3, 2023	250,000	250,000	195,576	2.93
	Total	250,000	250,000	195,576	2.93

The Company did not grant stock options during the three and six months ended January 31, 2020 and no corresponding expense was incurred on the statement of operations (three and six months ended January 31, 2019: grant of nil and 660,000 stock options with an expense of \$nil and \$594,000 respectively). 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.

RSU's:

On November 29, 2019, the Company granted 4,425,000 RSU's to directors, officers and employees of the Company. These RSU's vest in tranches, where 1/3rd vested on January 15, 2020, 1/3rd will vest on January 15, 2021 and 1/3rd will vest on January 17, 2022. The fair value of these RSU's was determined to be \$0.60 per unit on the date of grant. Stock-based compensation of \$1,084,165 was recognized for the three and six months ended January 31, 2020 related to these RSU's, which includes the value for those vested and an accrual for unvested RSU's.

	Number of RSU's
Balance as at July 31, 2019	-
Granted	4,425,000
Vested, settled in common shares	(1,475,006)
Forfeited	(20,000)
Balance as at January 31, 2020	2,929,994

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12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities were classified as follows:

	Assets at amortized cost	Assets at fair value through profit or loss	Liabilities at amortized cost	Total
As at January 31, 2020				
Cash and cash equivalents	\$ 109,692	\$ 2,448,896	\$ -	\$ 2,558,588
Amounts receivable	128,236	-	-	128,236
Reclamation deposit	1,639,190	-	-	1,639,190
Accounts payable and accrued liabilities	-	-	2,597,587	2,597,587
Lease liabilities	-	-	1,431,737	1,431,737

The carrying value of cash, amounts receivable, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of the financial instruments. The carrying value of reclamation deposit approximates fair value as it's represented by a cash deposit. Management believes the carrying value of lease liabilities approximates fair value.

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 January 31, 2020:

	Level 1	Level 2	Level 3	TOTAL
As at January 31, 2020				
Cash equivalents	\$ -	\$ 2,448,896	\$ -	\$ 2,448,896

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 and six months ended January 31, 2020.

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12. FINANCIAL INSTRUMENTS (continued)

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents. 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.

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 January 31, 2020, the Company had current assets of \$5,057,672 (July 31, 2019: \$8,937,906) to settle current liabilities of \$3,692,262, which includes the non-cash flow-through liability premium of \$273,005 (July 31, 2019: \$2,124,225). Approximately \$1,820,000 of the Company's financial liabilities as at January 31, 2020 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	\$ 2,597,587	\$ 2,597,587	\$ -	\$ -	\$ -
Lease liabilities	1,431,737	715,706	462,347	253,684	-
Reclamation provision	3,703,630	105,964	447,803	421,119	2,728,744

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 January 31, 2020, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$2,000.

13. EXPLORATION AND EVALUATION EXPENSES

The Company owns the Troilus Gold property, consisting of mineral claims and a past-producing mine property located approximately 450 km northeast of Val d'or, Quebec, Canada. During the three and six months ended January 31, 2020, the Company acquired three claims from O3 Mining Inc. ("O3") with the issuance of 300,000 common shares of the Company, valued at \$201,000, which was the fair market value of the shares on the date of issuance. The Company also staked additional claims at the end of the quarter as well as subsequent to the end of the quarter. During the three and six months ended January 31, 2019, the Company acquired 209 claims from Emgold Mining Corporation ("Emgold") with the issuance of 3,750,000 common shares of the Company, valued at \$2,268,750 as well as a cash payment of \$250,000.

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13. EXPLORATION AND EVALUATION EXPENSES (continued)

Of the claims owned, 81 claims are 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) held by First Quantum Minerals Inc. (“First Quantum”) plus an additional 1% royalty on these claims is held by QuestCap Inc. The 209 claims acquired from Emgold in December 2018 are subject to underlying NSR royalties of 1% to Emgold, that the Company has the right to purchase for \$1,000,000, and 1.5% to three individuals that the Company has the right to purchase for \$2,000,000 until 24 months from the start of commercial production and for \$3,000,000 thereafter. The 3 claims acquired from O3 are subject to royalties of 2% NSR to O3, half of which can be purchased for \$1,000,000, and 2% NSR to an individual, half of which can be purchased for \$1,000,000.

	Three months ended January 31,		Six months ended January 31,	
	2020	2019	2020	2019
Exploration and evaluation expenses:				
Drilling, assaying and geology	\$ 1,064,050	\$ 403,757	\$ 1,845,686	\$ 1,658,743
Salaries, payroll costs and consultants	1,392,262	1,274,441	2,631,228	2,449,080
Site and camp costs	414,586	262,242	526,271	413,496
Support and other costs	111,862	260,363	253,841	391,921
Studies	495,916	297,136	880,366	391,327
Government and community relations	18,486	26,139	36,205	52,312
Travel	56,159	85,683	111,107	116,804
Depreciation	159,901	55,871	291,645	100,890
Tax credits	-	-	(513,000)	-
Property acquisition costs	230,879	2,518,750	230,879	2,518,750
	\$ 3,944,101	\$ 5,184,382	\$ 6,294,228	\$ 8,093,323

During the three and six months ended January 31, 2020, the Company has recorded \$nil and \$513,000 respectively in government tax credits (three and six months ended January 31, 2019: \$nil and \$nil respectively), applied against the exploration and evaluation costs to which it relates. As at January 31, 2020, the Company is carrying a tax credit receivable balance of \$1,345,164 (July 31, 2019: \$832,164).

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14. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended January 31,		Six months ended January 31,	
	2020	2019	2020	2019
General and administrative expenses :				
Salaries, payroll costs and consultants	\$ 1,039,205	\$ 1,119,980	\$ 1,606,266	\$ 1,640,237
Professional costs	52,292	89,087	127,713	142,495
Shareholder communications	399,997	304,210	728,922	688,785
Office and general	99,443	124,828	200,954	198,288
Travel	35,511	11,673	52,857	48,936
Depreciation	51,688	-	101,357	-
	<u>\$ 1,678,136</u>	<u>\$ 1,649,778</u>	<u>\$ 2,818,069</u>	<u>\$ 2,718,741</u>

15. OTHER EXPENSES

	Three months ended January 31,		Six months ended January 31,	
	2020	2019	2020	2019
Other expenses:				
Fee for reclamation bond	24,831	-	\$ 49,662	\$ -
Miscellaneous	13,466	885	13,811	12,136
	<u>\$ 38,297</u>	<u>\$ 885</u>	<u>\$ 63,473</u>	<u>\$ 12,136</u>

16. 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 three and six months ended January 31, 2020 and 2019.

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17. 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

Approximately \$29,000 is payable to directors and officers of the Company at January 31, 2020 (July 31, 2019: \$20,000) 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 January 31,		Six months ended January 31,	
	2020	2019	2020	2019
Management salaries and fees	\$ 959,968	\$ 1,043,300	\$ 1,427,192	\$ 1,452,600
Directors fees	106,250	105,000	141,848	126,875
Share-based payments	752,003	-	752,003	558,000
	\$ 1,818,221	\$ 1,148,300	\$ 2,321,043	2,137,475

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.

18. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$1,920,000 and additional contingent payments of approximately \$8,040,000 upon the occurrence of a change of control. As well, the Company granted 4,425,000 RSU's to directors, officers and employees of the Company with vesting terms where 1/3rd vested in January 2020, and 1/3rd each will vest in January 2021 and 2022. 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 4.3 years. See Note 8 and 12.

Underlying royalties on the Troilus Gold property are described in Note 13.

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18. COMMITMENTS AND CONTINGENCIES (continued)

As a result of the Company's flow-through financings in October 2019, the Company is committed to incur \$6,222,954 in qualifying resource expenditures. The Company has filed its renunciation forms as at January 31, 2020. As at January 31, 2020, the Company has incurred \$4,658,618 in qualifying expenditures, with the balance of \$1,564,336 to be spent before December 31, 2020. See Note 19.

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.

19. SUBSEQUENT EVENTS

In February 2020, the Company closed a non-brokered private placement raising \$12,832,683 in gross proceeds from the issuance of 11,267,667 common shares of the Company at a price of \$0.65, 2,000,000 flow-through shares at a price of \$1.00, 2,070,617 flow-through shares at a price of \$0.81 and 2,378,571 flow-through shares at a price of \$0.77. The common shares and flow through shares issued pursuant to this offering are subject to a hold period of four months and one day from the date of closing. The Company has paid approximately \$555,000 in advisory fees in connection with this offering. In connection with the flow-through portion of this financing, the Company will be required to spend \$5,508,699 in eligible exploration expenditures by December 31, 2021.