



TROILUS

TROILUS GOLD CORP.

CONSOLIDATED
FINANCIAL STATEMENTS

For the years ended
July 31, 2021 and 2020

(expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Troilus Gold Corp.

Opinion

We have audited the consolidated financial statements of Troilus Gold Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2021 and 2020, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
October 14, 2021

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

As at		July 31, 2021	July 31, 2020
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		\$ 53,460,390	\$ 29,883,416
Tax credit receivable	5, 15	4,217,478	1,866,713
Amounts receivable	6	1,159,276	438,949
Investments	7	133,538	-
Prepaid expenses		514,910	455,834
Total current assets		59,485,592	32,644,912
Investments	7	-	250,000
Reclamation deposits	8	844,595	1,639,190
Property and equipment	9	5,819,313	5,445,731
TOTAL ASSETS		\$ 66,149,500	\$ 39,979,833
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 6,455,751	\$ 2,429,961
Current portion of lease liabilities	10	518,726	501,472
Current portion of reclamation provision	8	115,228	147,674
Total current liabilities		7,089,705	3,079,107
Long-term portion of lease liabilities	10	711,998	587,782
Flow-through share premium liability	11	7,932,619	244,435
Reclamation provision	8	3,480,239	3,728,682
Total liabilities		19,214,561	7,640,006
SHAREHOLDERS' EQUITY			
Share capital	11	166,112,552	87,242,757
Share purchase warrant reserve	12	9,892,169	9,763,070
Share-based payment reserve	13	4,834,969	1,047,793
Accumulated deficit		(133,904,751)	(65,713,793)
Total shareholders' equity		46,934,939	32,339,827
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 66,149,500	\$ 39,979,833
Nature of operations	1		
Commitments and contingencies	20		

Approved on behalf of the Board of Directors:

"Tom Olesinski"

Director

"Justin Reid"

Director

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

		Years ended July 31,	
		2021	2020
Expenses	Notes		
Exploration and evaluation expenses	5, 15	\$ 50,800,547	\$ 12,840,637
Royalty buyout	15	20,000,000	171,000
Reclamation estimate	8	(146,828)	295,889
General and administrative expenses	16	5,837,246	4,914,293
Share-based payments	13	5,948,691	1,737,221
Total expenses before other items		82,439,656	19,959,040
Other (income)/expenses			
Interest income		(31,678)	(124,568)
Interest on lease liabilities	10	157,691	195,197
Flow-through share premium	11	(6,256,068)	(1,771,358)
Accretion of reclamation provision	8	68,224	33,786
Other (gains) and losses	17	(1,422,661)	121,282
Net loss and comprehensive loss for the year		\$ 74,955,164	\$ 18,413,379
Net loss per share			
Basic and diluted		\$ 0.56	\$ 0.23
Weighted average common shares outstanding			
Basic and diluted		133,727,284	79,364,190

-- See accompanying notes to the consolidated financial statements --

TROILUS GOLD CORP.**Consolidated Statements of Cash Flows****(Expressed in Canadian dollars)**

	Notes	Years ended July 31,	
		2021	2020
CASH FLOWS FROM:			
Operating activities			
Net loss for the year		\$ (74,955,164)	\$ (18,413,379)
Items not involving cash			
Share-based payments	13	5,948,691	1,737,221
Shares issued for property acquisition	15	-	2,199,000
Non-cash value of property acquisition	5	24,579,970	-
Shares received for option of property	15	(40,000)	-
Depreciation	9	1,115,671	874,919
Flow-through share premium	11	(6,256,068)	(1,771,358)
Reclamation estimate adjustment	8	(146,828)	295,889
Reclamation costs incurred	8	(202,285)	(125,714)
Other (gains) and losses	17	(1,517,907)	-
Accretion of reclamation estimate	8	68,224	33,786
		<u>(51,405,696)</u>	<u>(15,169,636)</u>
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		(572,863)	873,270
Tax credit receivable		(1,840,223)	(1,034,549)
Accounts payable and accrued liabilities		3,968,912	929,523
		<u>1,555,826</u>	<u>768,244</u>
Cash flows used in operating activities		<u>(49,849,870)</u>	<u>(14,401,392)</u>
Financing activities			
Financing proceeds	11	78,238,173	44,413,137
Share issue costs	11	(5,525,111)	(2,949,146)
Exercise of warrants	12	232,700	-
Lease payments	10	(678,101)	(1,198,549)
Cash flows (used in)/provided by financing activities		<u>72,267,661</u>	<u>40,265,442</u>
Investing activities			
Property and equipment	9	(644,285)	(2,068,323)
Investment in securities	7	(1,504,904)	(250,000)
Proceeds from sale of securities	7	1,212,250	-
Cash acquired from acquisition	5	1,301,527	-
Refund of reclamation deposit	8	794,595	-
Cash flows used in investing activities		<u>1,159,183</u>	<u>(2,318,323)</u>
Net change in cash and cash equivalents		23,576,974	23,545,727
Cash and cash equivalents, beginning of the year		29,883,416	6,337,689
Cash and cash equivalents, end of the year		<u>\$ 53,460,390</u>	<u>\$ 29,883,416</u>
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		\$ 38,405,390	\$ 1,805,474
Cash equivalents		15,055,000	28,077,942
		<u>\$ 53,460,390</u>	<u>\$ 29,883,416</u>
SUPPLEMENTARY INFORMATION			
Equipment purchased through leases	9, 10	\$ 929,886	\$ 665,356

-- See accompanying notes to the consolidated financial statements --

TROILUS GOLD CORP.
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, 2020		114,939,339	\$ 87,242,757	\$ 9,763,070	\$ 1,047,793	\$ (65,713,793)	\$ 32,339,827
Bought deal financings	11	48,312,660	67,088,178	-	-	-	67,088,178
Valuation of warrants on units	12	-	(3,561,672)	3,561,672	-	-	-
Cost of issue on bought deal financings	11	-	(5,160,062)	-	-	-	(5,160,062)
Flow-through share premium	11	-	(13,944,252)	-	-	-	(13,944,252)
Private placement financing	11	10,136,359	11,149,995	-	-	-	11,149,995
Valuation of warrants on units	12	-	(1,164,606)	1,164,606	-	-	-
Cost of issue on private placement financing	11	-	(365,049)	-	-	-	(365,049)
Shares issued for acquisition	5	19,668,453	22,205,648	-	-	-	22,205,648
Value of warrants and options acquired from acquisition	5	-	-	2,380,724	13,703	-	2,394,427
Share-based payments	13	2,483,336	2,175,218	-	(2,175,218)	-	-
Value of share-based compensation	13	-	-	-	5,948,691	-	5,948,691
Exercise of warrants	12	395,026	232,700	-	-	-	232,700
Allocation of value on exercise of warrants	12	-	213,697	(213,697)	-	-	-
Expiry of warrants	12	-	-	(6,764,206)	-	6,764,206	-
Net loss for the period		-	-	-	-	(74,955,164)	(74,955,164)
Balance as at July 31, 2021		195,935,173	\$ 166,112,552	\$ 9,892,169	\$ 4,834,969	\$ (133,904,751)	\$ 46,934,939
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		-	-	-	-	(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 financings	11	24,753,755	19,055,637	-	-	-	19,055,637
Cost of issue on private placement financings	11	-	(898,586)	-	-	-	(898,586)
Flow-through share premium	11	-	(2,015,793)	-	-	-	(2,015,793)
Bought deal financing - units	11	24,150,000	25,357,500	-	-	-	25,357,500
Valuation of warrants on units	12	-	(2,998,864)	2,998,864	-	-	-
Cost of issue on bought deal financing	11	-	(2,050,560)	-	-	-	(2,050,560)
Shares issued for property acquisition	15	2,500,000	2,199,000	-	-	-	2,199,000
Share-based payments	13	1,475,006	885,004	-	852,217	-	1,737,221
Net loss for the period		-	-	-	-	(18,413,379)	(18,413,379)
Balance as at July 31, 2020		114,939,339	\$ 87,242,757	\$ 9,763,070	\$ 1,047,793	\$ (65,713,793)	\$ 32,339,827

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(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 near Chibougamau, within the Frotêt-Evans Greenstone Belt in Quebec (the “Troilus project”). The Company has acquired additional mineral claims adjacent to the Troilus project through various transactions, including the acquisition of UrbanGold Minerals Inc. (“UrbanGold”) during the fourth quarter of 2021. 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, as necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These consolidated financial statements of the Company for the year ended July 31, 2021 were approved and authorized for issue by the Board of Directors on October 14, 2021.

2. BASIS OF PRESENTATION AND COMPLIANCE

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

The preparation of financial statements in accordance with International Accounting Standards (“IAS”) 1, Preparation 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.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION AND COMPLIANCE (continued)

Following the declaration by the World Health Organization of the COVID-19 global pandemic in March 2020, the impacts to the global economy and financial markets continue to generate uncertainty and volatility. The Company's exploration activities at site were temporarily suspended at the onset of the pandemic during the spring of 2020 but resumed in June 2020. The Company has since continued to carry on with its exploration activities, implementing various measures to protect its employees, contractors and the communities in which it operates, including screening, physical distancing protocols, isolation protocols, rapid testing and increased cleaning and sanitization. These measures are expected to remain in place for the foreseeable future. While travel restrictions have lifted somewhat, challenges continue in particular with air travel to site. Corporate activities continue with personnel working remotely. The impacts to the Company to date have not been material, and while the Company believes the risk for business interruption remains low, future impacts may result in changes to the timing and nature of the Company's operating plans.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Existing accounting policies

These consolidated financial statements for the year ended July 31, 2021 and 2020 have been prepared using the following accounting policies:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, UrbanGold Minerals Inc. and Signet Minerals Inc. All significant intercompany transactions and balances have been eliminated upon consolidation.

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 Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either Fair Value through Profit and Loss (“FVPL”) or Fair Value through Other Comprehensive Income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company’s financial assets measured at amortized cost include cash and amounts receivable. The Company’s financial assets at FVPL include cash equivalents, investments and reclamation costs.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the consolidated statements of operations.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

Investments in privately-held companies are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, management estimates the fair value of these investments by considering the following: third party equity financings of the investee; significant corporate, political or operating events affecting the investee that, in management's opinion, have an impact on the value of the shares of the investee; and general market conditions. The absence any of these events indicates generally that the fair value of the investment has not materially changed. The resulting values may differ from values that would be realized had a ready market existed. The amounts which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's financial assets subject to impairment are amounts receivable, which are measured at amortized cost, and investment, which is measured at FVPL. The Company has elected to apply the simplified approach to impairment of amounts receivable as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities and lease liabilities, which are each measured at amortized cost.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of operations.

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Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

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.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. A liability is initially recognized as the present value of the estimated cost. A liability related to exploration and evaluation activities is expensed as incurred. A liability related to property and equipment 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.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 equipment	2 years
Equipment and vehicles	5 - 10 years
Leased vehicles	2 - 3 years (term of lease)
Exploration camp	10 - 15 years
Leasehold improvements and furniture	5 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.

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 pre-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, a pre-tax discount rate that would approximate what market participants would assign is used.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation expenditures

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.

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.

Interest income

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income 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 share-based payments 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.

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, 2021 and 2020 were excluded from the diluted loss per share calculation as they were anti-dilutive.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 quoted price of the 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 consolidated statement of operations when the eligible expenditures are incurred. 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.

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.

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.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Future accounting policies

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

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) was amended in February 2021 to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier adoption is permitted.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – i.e. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

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

Share-based payments and warrants

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

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.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Business Combinations

The determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require management to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 - Business Combinations. The Company has determined that UrbanGold does not meet the criteria for a business based on the criteria outlined by IFRS 3. As such, the Company has determined that the acquisition of UrbanGold is not a business combination and accordingly this acquisition has been accounted for as an asset acquisition.

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.

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

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

Contingencies

Refer to Note 20.

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.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

5. ACQUISITION OF URBANGOLD

On May 18, 2021, the Company completed the acquisition of all of the issued and outstanding common shares of UrbanGold that it did not already own for consideration of 0.3004 of a common share of the Company for each outstanding UrbanGold share. On closing, the Company issued 19,518,273 of its common shares to former UrbanGold shareholders. Outstanding warrants and options were adjusted based on the same exchange ratio and are now exercisable for the Company's shares.

Net assets of UrbanGold:

Cash	\$	1,301,527
Tax credit receivable		510,542
Amounts receivable and prepaid expenses		206,540
Investments		89,950
Accounts payable and accrued liabilities		(56,878)
Total net assets	\$	2,051,681

Consideration provided:

Fair value of 19,518,273 shares of the Company	\$	22,055,648
Fair value of existing investment in UrbanGold (Note 7)		2,031,576
Revaluation of outstanding UrbanGold warrants and stock options		2,394,427
Total consideration	\$	26,481,651

Net assets acquired less consideration provided	\$	(24,429,970)
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Allocation of purchase price:

Exploration and evaluation expense	\$	24,429,970
Transactions costs	\$	609,752

The acquisition was accounted for as an asset acquisition as the net assets acquired do not meet the definition of a business. The purchase price in excess of the net assets acquired was allocated to property acquisition costs under exploration and evaluation expense on the statement of operations. The fair value of the 19,518,273 shares of the Company issued to the former shareholders of UrbanGold was \$1.13 per share which was the fair market value based on the quoted market value of the Company's shares on the acquisition date. The Company had initially acquired 6,156,291 shares of UrbanGold prior to this transaction. These shares were valued at the fair market value of UrbanGold shares on the date of acquisition, which was \$0.33 per share. The value of the warrants and stock options issued to UrbanGold warrant and option holders was estimated using the Black-Scholes model with the following assumptions: share price of \$1.13; expected dividend yield of 0%; expected volatility ranging from 16% to 68%; risk-free interest rate ranging from 0.15% to 0.32%; and an expected average life ranging from less than one month to 2.3 years.

The Company paid transaction costs of \$609,752 which included \$150,000 which is the value of 150,180 shares of the Company issued for advisory services, as well as legal and audit review costs.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

6. AMOUNTS RECEIVABLE

	July 31, 2021		July 31, 2020	
Input tax credits receivable	\$	1,157,789	\$	438,949
Other miscellaneous receivables		1,487		-
	\$	1,159,276	\$	438,949

7. INVESTMENTS

Included in Investments at July 31, 2021 are securities that were acquired through the UrbanGold acquisition. These shares were initially measured at Fair Value through Profit and Loss ("FVPL") on the date of the acquisition of UrbanGold. UrbanGold acquired these investments through property option agreements. These investments are recorded at a value of \$133,538 at July 31, 2021, which is the estimated fair market value based on the market price on that date for publicly-traded securities, or based on other valuation techniques for private companies. An amount of \$3,588 was recorded as an unrealized gain for the year ended July 31, 2021 with respect to these securities.

The Company acquired 500,000 shares of Kenorland Minerals Ltd. ("Kenorland") in March 2020 at a cost of \$250,000. In January 2021, Kenorland completed a Reverse Takeover transaction ("RTO") and began trading publicly. The Company's 500,000 shares pre-RTO, classified and measured at Fair Value through Profit and Loss ("FVPL") at acquisition, were replaced by 1,000,000 shares post-RTO. In June 2021, the Company sold its investment in Kenorland for proceeds of \$1,212,250, which resulted in a realized gain on sale of investment of \$962,250.

The Company also acquired 6,156,291 shares in UrbanGold in the market during the year ended July 31, 2021. These shares were classified and measured at FVPL at acquisition, and at May 18, 2021, when the Company acquired all of the outstanding shares of UrbanGold, their fair value was \$2,031,576, resulting in an unrealized gain of \$526,672 recorded for the year ended July 31, 2021. As a result of the acquisition, the value of these shares are eliminated in the purchase equation (Note 5).

8. RECLAMATION DEPOSITS AND PROVISION

Deposits:

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

During the year ended July 31, 2021, the Company entered into a bonding facility with a new insurance company pursuant to which the Company further reduced its cash deposit to 20% of the reclamation deposit or \$794,595, incurring the same annual fee of 2.5%. The Company deposited \$794,595 into a Guaranteed Investment Certificate secured by a Letter of Credit and has received a refund of the previous cash deposit of \$1,589,190. The Company is earning nominal interest on this GIC.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

8. RECLAMATION DEPOSITS AND PROVISION (continued)

The Company has also provided a \$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 July 31, 2021, the estimated future liability of approximately \$3,500,000 (July 31, 2020: \$3,544,000), was adjusted for inflation at an average rate of 1.70% (July 31, 2020: 1.74%), discounted at a rate of 1.76% (July 31, 2020: 0.92%) and recorded as \$3,595,467, \$115,228 as a current liability and \$3,480,239 as a long-term liability (July 31, 2020: \$3,876,356, \$147,674 as a current liability and \$3,728,682 as a long-term liability). This estimate assumes that future mining operations would never resume. As the Company continues its exploration program, works towards a future mining scenario, and carries out reclamation work, the underlying assumptions to the reclamation provision will be adjusted accordingly. As a result of this remeasurement, a recovery of \$146,828 was recorded as an adjustment to the reclamation estimate to the consolidated statements of operations for the year ended July 31, 2021 (July 31, 2020: a charge of \$295,889). Accretion of \$68,224 was recognized for the year ended July 31, 2021 on the consolidated statements of operations (July 31, 2020: \$33,786).

Balance as at July 31, 2019	\$	3,672,395
Accretion of discount		33,786
Adjustments resulting from remeasurement		295,889
Incurred costs applied against liability		(125,714)
Balance as at July 31, 2020	\$	3,876,356
Accretion of discount		68,224
Adjustments resulting from remeasurement		(146,828)
Incurred costs applied against liability		(202,285)
Balance as at July 31, 2021	\$	3,595,467
Current portion of liability	\$	115,228
Long-term portion of liability		3,480,239
	\$	3,595,467

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

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9. PROPERTY AND EQUIPMENT

	<u>Computer and office equipment</u>	<u>Leaseholds, improvements and furniture</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Exploration 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	-	822,310	143,868	-	186,270	1,152,448
Additions	44,459	93,773	36,300	123,867	2,435,280	2,733,679
Balance, July 31, 2020	\$ 119,924	\$ 1,276,457	\$ 255,918	\$ 436,137	\$ 4,600,427	\$ 6,688,863
Additions	31,356	129,384	745,552	269,387	398,492	1,574,171
Disposals	-	-	(253,766)	-	-	(253,766)
Balance, July 31, 2021	\$ 151,280	\$ 1,405,841	\$ 747,704	\$ 705,524	\$ 4,998,919	\$ 8,009,268
<i>Depreciation</i>						
Balance, July 31, 2019	\$ (18,411)	\$ (197)	\$ (7,118)	\$ (22,772)	\$ (204,263)	\$ (252,761)
Initial application of IFRS 16	-	(79,893)	(16,797)	-	(18,762)	(115,452)
Expense for the period	(30,998)	(269,576)	(130,116)	(39,245)	(404,984)	(874,919)
Balance, July 31, 2020	\$ (49,409)	\$ (349,666)	\$ (154,031)	\$ (62,017)	\$ (628,009)	\$ (1,243,132)
Expense for the period	(37,159)	(290,389)	(235,519)	(61,952)	(490,652)	(1,115,671)
Disposals	-	-	168,848	-	-	168,848
Depreciation	\$ (86,568)	\$ (640,055)	\$ (220,702)	\$ (123,969)	\$ (1,118,661)	\$ (2,189,955)
Net book value, July 31, 2020	\$ 70,515	\$ 926,791	\$ 101,887	\$ 374,120	\$ 3,972,418	\$ 5,445,731
Net book value, July 31, 2021	\$ 64,712	\$ 765,786	\$ 527,002	\$ 581,555	\$ 3,880,258	\$ 5,819,313

An amount of \$1,115,671 was expensed in depreciation for the year ended July 31, 2021, where \$894,540 was recorded as exploration and evaluation expenses and \$221,131 was recorded as general and administrative expenses (July 31, 2020: \$874,919, where \$677,295 was allocated to exploration and evaluation expenses and \$197,624 was allocated to general and administrative expenses).

The Company acquired \$929,886 in assets through Right-of-Use vehicle leases and equipment leases (Note 10) during the year ended July 31, 2021 (July 31, 2020: \$665,356). During the year ended July 31, 2021, the Company traded in existing vehicles on lease for new vehicles, and as a result, \$25,397 was recorded as a gain on disposal of assets in other gains and losses for the year ended July 31, 2021 (July 31, 2020: \$nil).

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

10. LEASE LIABILITIES

Balance as at July 31, 2019	\$	547,193
Initial application of IFRS 16		1,075,254
Assets acquired from leases and financing arrangements		665,356
Payments made during the period		(1,198,549)
Balance as at July 31, 2020	\$	1,089,254
Assets acquired from leases and financing arrangements		929,886
Payments made during the period		(678,101)
Lease extinguishment		(110,315)
Balance as at July 31, 2021	\$	1,230,724
Current portion of lease liabilities	\$	518,726
Long-term portion of lease liabilities		711,998
	\$	1,230,724

During the year ended July 31, 2021, the Company traded in vehicles on lease and entered into new lease agreements with respect to vehicles valued at \$745,552. The Company also entered into an equipment lease with a value of \$185,550 and adjusted the value of a previous lease by \$1,216. The Company's other right-of-use leases include office leases and leases for certain infrastructure, with terms of up to 3 years. Interest expense recognized on these leases for the year ended July 31, 2021 was \$157,691 (July 31, 2020: \$195,197). During the year ended July 31, 2021, the Company incurred \$541,100 for short-term rental equipment (July, 2020: \$302,094) which was recorded in exploration and evaluation expenses on the consolidated statement of operations.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

11. SHARE CAPITAL

	No. of Shares	Balance
Balance as at July 31, 2019	62,060,578	\$ 47,709,419
October 2019 Private placement financing (iv)		
Flow-through shares issued	7,036,900	6,222,954
Cost of issue	-	(205,581)
Flow-through share premium	-	(1,086,017)
February 2020 Private placement financing (v)		
Shares issued	11,267,667	7,323,984
Flow-through shares issued	6,449,188	5,508,699
Cost of issue	-	(693,005)
Flow-through share premium	-	(929,776)
June 2020 Bought deal financing (vi)		
Units issued	24,150,000	25,357,500
Value of warrants (Note 12)	-	(2,998,864)
Cost of issue	-	(2,050,560)
Property acquisitions (Note 15)	2,500,000	2,199,000
Share-based payments (Note 13)	1,475,006	885,004
Balance as at July 31, 2020	114,939,339	\$ 87,242,757
December 2020 Bought deal financings (i)		
Flow-through shares issued	6,290,500	12,077,760
Shares issued	9,100,000	10,010,000
Cost of issue	-	(1,914,949)
Flow-through share premium	-	(5,158,210)
June 2021 Bought deal financings (ii)		
Flow-through units issued	23,831,180	35,000,340
Units issued	9,090,980	10,000,078
Value of warrants on units (Note 12)	-	(3,561,672)
Cost of issue	-	(3,245,113)
Flow-through share premium	-	(8,786,042)
July 2021 Private placement financing (iii)		
Units issued	10,136,359	11,149,995
Value of warrants on units (Note 12)	-	(1,164,606)
Cost of issue	-	(365,049)
Acquisition of UrbanGold (Note 5)	19,668,453	22,205,648
Exercise of warrants	395,026	232,700
Allocation of value on exercise of warrants	-	213,697
Share-based payments (Note 13)	2,483,336	2,175,218
Balance as at July 31, 2021	195,935,173	\$ 166,112,552

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

(i) On December 1, 2020, the Company closed a bought-deal public offering and a bought-deal private placement with Cormark Securities Inc. ("Cormark"), on behalf of a syndicate of underwriters. Pursuant to the bought-deal public offering, the Company issued 5,470,000 common shares of the Company that qualify as flow through shares at a price of \$1.92 per flow-through share. As well, the over-allotment option was exercised with the issuance of an additional 820,500 flow-through shares. Pursuant to the bought-deal private placement, the Company issued 9,100,000 common shares of the Company at a price of \$1.10 per share. Gross proceeds from these financings totaled \$22,087,760. A commission of 6% was charged by the syndicate of underwriters, and total issue costs which also included legal and advisory fees were \$1,914,949.

(ii) On June 30, 2021, the Company closed a bought-deal public offering with Cormark, on behalf of a syndicate of underwriters. The Company issued 9,090,980 units at a price of \$1.10 per unit, where each unit is comprised of one common share of the Company and one-half of a common share purchase warrant. The Company also issued 7,142,880 traditional flow-through units at \$1.26 per traditional flow-through unit, 13,513,600 national flow-through units at \$1.48/national flow-through unit and 3,174,700 Quebec flow-through units at \$1.89 per Quebec flow-through unit. Each flow-through unit consists of one flow-through common share of the Company and one-half of a common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$1.50 with an expiry date of June 30, 2023. The warrants were valued using the Black-Scholes model with the assumptions disclosed below in Note 12. Gross proceeds from these financings totaled \$45,000,418. A commission of 6% was charged by the syndicate of underwriters, and total issue costs which also included legal and advisory fees were \$3,245,113.

(iii) On July 15, 2021, the Company closed a non-brokered private placement through the issuance of 10,136,359 units of the Company at \$1.10 per unit for gross proceeds of \$11,149,995. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at an exercise price of \$1.50 until July 15, 2023. The warrants were valued using the Black-Scholes model with the assumptions disclosed below in Note 12. Total issue costs were \$365,049 which included legal and advisory fees.

(iv) 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 issue costs of \$205,581 related to this financing, which includes advisory and finder's fees as well as legal costs.

(v) 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 Company paid issue costs of \$693,005 related to this financing, which includes advisory fees, finder's fees and legal costs.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

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11. SHARE CAPITAL (continued)

(vi) In June 2020, the Company closed a bought-deal prospectus offering raising \$25,357,500 in gross proceeds from the issuance of 24,150,000 units of the Company at a price of \$1.05 per unit. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at a price of \$1.50 until June 23, 2022 (Note 12). The Company paid issue costs of \$2,050,560, which included commissions, underwriter costs, translation costs and legal fees.

Upon the issuance of flow-through shares, the Company records a flow-through share premium liability based on the calculated premium per dollar raised determined as the excess issue price over the quoted market price at the date of issuance. The liability is reduced proportionately as the Company incurs eligible expenditures. As a result of the Company's flow-through shares issued in December 2020 and June 2021, a flow-through share premium liability of \$13,944,252 was recorded to the Statement of Financial Position during the year ended July 31, 2021. The total liability was reduced by \$6,256,068 as a result of expenditures against the flow-through commitment. A balance of \$7,932,619 remains on the Consolidated Statement of Financial Position as at July 31, 2021. For the year ended July 31, 2021, \$6,256,068 was recorded as a flow-through share premium recovery on the consolidated statements of operations (July 31, 2020: \$1,771,358).

12. SHARE PURCHASE WARRANT RESERVE

	Number of Warrants	Weighted Average Exercise Price	Value
Balance as at July 31, 2019	14,030,000	\$2.50	\$ 6,764,206
Issuance from bought deal financing (Note 11(vi))	12,075,000	\$1.50	2,998,864
Balance as at July 31, 2020	26,105,000	\$2.04	\$ 9,763,070
Warrants acquired from acquisition (Note 5)	4,325,324	\$0.80	2,380,724
Issuance from financing (Note 11(ii) and (iii))	21,529,259	\$1.50	4,726,278
Exercised	(395,026)	\$0.59	(213,697)
Expired unexercised	(14,030,000)	\$2.50	(6,764,206)
Balance as at July 31, 2021	37,534,557	\$1.43	\$ 9,892,169

As a result of the acquisition of UrbanGold, 4,325,324 warrants outstanding for UrbanGold at the transaction date became exercisable for shares of the Company at the same ratio as the acquisition (Note 5). Of these, 395,026 were exercised during the year ended July 31, 2021. During the year ended July 31, 2021, 14,030,000 warrants expired unexercised. The value of these unexercised warrants was consequently transferred to Accumulated deficit.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

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12. SHARE PURCHASE WARRANT RESERVE (continued)

The following table summarizes the warrants outstanding as at July 31, 2021:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value	Weighted Average Remaining Contractual Life (years)	Assumptions				
						Share price	Expected Dividend Yield	Expected Volatility	Risk-free Interest rate	Expected Average Life (years)
\$0.60	September 17, 2021	240,320	240,320	127,719	0.13	\$1.13	0%	44.59%	0.09%	0.33
\$0.42	December 6, 2021	56,190	56,190	40,130	0.35	\$1.13	0%	39.90%	0.12%	0.55
\$0.50	December 6, 2021	124,016	124,016	78,278	0.35	\$1.13	0%	39.90%	0.12%	0.55
\$1.50	June 23, 2022	12,075,000	12,075,000	2,998,864	0.90	\$0.92	0%	80.27%	0.30%	2.00
\$0.67	June 3, 2023	2,258,106	2,258,106	1,380,934	1.84	\$1.13	0%	67.66%	0.32%	2.04
\$1.50	June 30, 2023	16,461,080	16,461,080	3,561,672	1.92	\$0.98	0%	67.36%	0.45%	2.00
\$1.50	July 15, 2023	5,068,179	5,068,179	1,164,606	1.96	\$0.98	0%	67.36%	0.44%	2.00
\$1.20	September 10, 2023	1,251,666	1,251,666	539,966	2.11	\$1.13	0%	68.40%	0.32%	2.32
		37,534,557	37,534,557	\$9,892,169	1.58					

13. SHARE-BASED PAYMENT RESERVE

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

On December 16, 2020, upon shareholder approval at the Company's Annual General Meeting, the Company adopted a new Incentive Share Unit Plan ("ISU Plan") to replace the existing 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 or Deferred Share Units ("DSU's") under the plan to directors alone. A vested RSU represents the right to receive one common share of the Company. A vested DSU represents the right to receive one common share of the Company upon the date the participant director ceases to be a director of the Company. All Share Units, that is RSU's and DSU's, shall be settled through the issuance of common shares from treasury by the Company, and as such, the value of outstanding RSU's and DSU's is included in share-based payment reserve within equity. As at July 31, 2021, no DSU's have been granted.

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

TROILUS GOLD CORP.

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13. SHARE-BASED PAYMENT RESERVE (continued)

	Stock option Value	RSU Value	TOTAL
Balance as at July 31, 2019	\$ 195,576	\$ -	\$ 195,576
RSU expense accrued	-	1,737,221	1,737,221
Value of RSUs vested	-	(885,004)	(885,004)
Balance as at July 31, 2020	\$ 195,576	\$ 852,217	\$ 1,047,793
RSU expense accrued	-	5,948,691	5,948,691
Value of RSUs vested	-	(2,175,218)	(2,175,218)
Stock options acquired from acquisition (Note 5)	13,703	-	13,703
Balance as at July 31, 2021	\$ 209,279	\$ 4,625,690	\$ 4,834,969

Outstanding Stock Options:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value	Weighted Average Remaining Contractual Life	Assumptions				
						Share price	Expected Dividend Yield	Expected Volatility	Risk-free Interest rate	Expected Average Life (years)
\$ 0.88	October 1, 2022	30,040	30,040	\$ 13,703	1.17	\$1.13	0%	69%	0.20%	1.37
\$ 1.64	January 3, 2023	250,000	250,000	\$195,576	1.43	\$1.12	0%	100%	2.26%	5.00
	Total	280,040	280,040	\$209,279	1.40					

The Company did not grant stock options during the year ended July 31, 2021 and 2020. However, as a result of the acquisition of UrbanGold, 30,040 of UrbanGold's outstanding stock options became exercisable into the Company's common shares at the same ratio as the acquisition (Note 5). 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 and DSU's.

Outstanding unvested RSU's:

Balance as at July 31, 2019	-
Granted	4,631,666
Vested, settled in common shares	(1,475,006)
Forfeited	(20,000)
Balance as at July 31, 2020	3,136,660
Granted	9,255,000
Vested, settled in common shares	(2,483,336)
Vested, pending settlement in common shares	(301,666)
Forfeited	(739,999)
Balance as at July 31, 2021	8,866,659

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Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

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13. SHARE-BASED PAYMENTS RESERVE (continued)

<u>Vesting Date</u>	<u>Number of RSU's</u>
January 17, 2022	1,954,159
January 15, 2023	272,500
August 4, 2023	6,640,000
	<u>8,866,659</u>

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

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

On January 15, 2021, the Company granted 580,000 RSU's to employees of the Company, where one half vested immediately on January 15, 2021 and the balance on January 17, 2022. The fair value of these RSU's was estimated to be \$1.11 per unit based on the quoted market price of the Company's shares on the date of grant.

On April 1, 2021, the Company granted 190,000 RSU's to employees of the Company. Of these RSU's, 140,000 would vest on January 17, 2022 and 50,000 vest on January 15, 2023. The fair value of these RSU's was estimated to be \$1.07 per unit based on the quoted market price of the Company's shares on the date of grant.

On June 1, 2021, the Company granted 645,000 RSU's to employees of the Company, with half vesting on January 17, 2022 and the balance on January 15, 2023. The fair value of these RSU's was estimated to be \$1.19 per unit based on the quoted market price of the Company's shares on the date of grant.

On November 29, 2019, the Company granted 4,425,000 RSU's to employees of the Company. These RSU's vest in tranches, where 1/3rd vested on January 15, 2020, 1/3rd vested on January 15, 2021 and 1/3rd will vest on January 17, 2022. The fair value of these RSU's was estimated to be \$0.60 per unit based on the quoted market price of the Company's shares on the date of grant.

Share-based payments of \$5,948,691 was recognized for the year ended July 31, 2021 related to these RSU's, which includes an accrual for unvested RSU's (July 31, 2020: \$1,737,221).

Subsequent to July 31, 2021, the Company granted 800,000 RSU's to employees of the Company.

TROILUS GOLD CORP.

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14. 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 July 31, 2021				
Cash and cash equivalents	\$ 38,405,390	\$ 15,055,000	\$ -	\$ 53,460,390
Investments	-	133,538	-	133,538
Reclamation deposits	-	844,595	-	844,595
Accounts payable and accrued liabilities	-	-	6,455,751	6,455,751
Lease liabilities	-	-	1,230,724	1,230,724
As at July 31, 2020				
Cash and cash equivalents	\$ 1,805,474	\$ 28,077,942	\$ -	\$ 29,883,416
Investment	-	250,000	-	250,000
Reclamation deposits	1,639,190	-	-	1,639,190
Accounts payable and accrued liabilities	-	-	2,429,961	2,429,961
Lease liabilities	-	-	1,089,254	1,089,254

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

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14. FINANCIAL INSTRUMENTS (continued)

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, 2021:

	Level 1	Level 2	Level 3	TOTAL
As at July 31, 2021				
Cash equivalents	\$ 15,055,000	-	\$ -	\$15,055,000
Investments	122,338	-	11,200	133,538
Reclamation deposits	844,595	-	-	844,595
As at July 31, 2020				
Cash equivalents	28,077,942	-	-	28,077,942
Investment	-	-	250,000	250,000

During the year ended July 31, 2021, the investment in Kenorland transferred from Level 3 to Level 1 as a result of Kenorland's RTO (Note 7) and subsequent listing on a publicly traded exchange. As a result, quoted market prices were used to remeasure its fair value. The Company sold its shares in Kenorland in June 2021. The Company acquired investments through the acquisition of UrbanGold, some of which are not publicly traded entities.

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, 2021 and 2020.

Credit risk

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

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, 2021, the Company had current assets of \$59,485,592 (July 31, 2020: \$32,664,912) to settle current liabilities of \$7,089,705 (July 31, 2020: \$3,079,107). Approximately \$5,500,000 of the Company's financial liabilities as at July 31, 2021 have contractual maturities of less than 30 days and are subject to normal trade terms.

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14. FINANCIAL INSTRUMENTS (continued)

Liability	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Accounts payable and accrued liabilities	\$ 6,455,751	\$ 6,455,751	\$ -	\$ -	\$ -
Lease liabilities	1,230,724	518,726	711,998	-	-
Reclamation provision	3,595,467	115,228	551,671	441,857	2,486,711

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 July 31, 2021, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$53,000.

15. EXPLORATION AND EVALUATION EXPENSES AND ROYALTY BUYOUT

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

Of the claims initially acquired from First Quantum Minerals Inc. ("First Quantum"), certain claims were subject to a variable Net Smelter Royalty ("NSR") of 1.5% (if the gold price is less than US\$1,250/ounce during the reference period) or 2.5% (if the gold price is more than US\$1,250/ounce during the reference period) payable to First Quantum. In November 2020, the Company repurchased this NSR for cash consideration of \$20,000,000 payable to First Quantum (paid), thereby extinguishing the royalty. A royalty of 1% remains on these claims, held by Nomad Royalty Company Ltd.

The claims acquired from Emgold in December 2018 are subject to underlying NSR royalties of 1% to Emgold, that the Company has the right to repurchase for \$1,000,000. The claims acquired from O3 in November 2019 are subject to royalties of 2% NSR to O3, half of which can be repurchased for \$1,000,000, and 2% NSR to an individual, half of which can be repurchased for \$1,000,000. The claims acquired from O3 in April 2020 are subject to royalties of 2% NSR to O3, of which half can be repurchased at any time for \$1,000,000. Certain of the O3 claims acquired in April 2020 are subject to underlying royalties of 1% to Glencore plc, and certain claims are subject to underlying royalties of 2% to Vale S.A. One-half of the royalty to Vale S.A. can be repurchased. The claims acquired from Globex Mining Enterprises Inc. ("Globex") are subject to a 2% Gross Metal Sales royalty ("GMR") to Globex, of which half can be repurchased at any time for \$1,000,000. The claims acquired from Canadian Mining House ("CMH") are subject to a 1% NSR, of which half can be repurchased for \$500,000 and half can be repurchased for \$1,500,000.

As well, as a result of the acquisition of UrbanGold, the Company is subject to royalties on certain of the claims acquired, including a 2% NSR to O3 on 13 Bullseye claims, of which half can be purchased at any time for \$500,000; a 2% NSR to Les Ressources Tectonic Inc. on 24 Pallador claims, of which 1.5% can be purchased at any time for \$2,000,000; a 1% NSR to Soquem on 77 Pallador claims, of which half can be purchased at any time for \$500,000; and a 1% NSR to Geotest Corporation and Wayne Holmstead (0.5% each) on 55 Pallador claims.

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15. EXPLORATION AND EVALUATION EXPENSES AND ROYALTY BUYOUT (continued)

	Years ended July 31,	
	2021	2020
Exploration and evaluation expenses:		
Drilling, assaying and geology	\$ 16,600,647	\$ 3,348,614
Salaries, payroll costs and consultants	6,515,828	4,461,051
Site and camp costs	2,298,127	1,178,635
Support and other costs	534,509	445,363
Studies	2,941,348	1,929,114
Government and community relations	99,501	69,098
Travel	414,746	148,205
Property acquisition costs	24,926,272	2,164,162
Depreciation	894,540	677,295
Tax credits	(4,424,971)	(1,580,900)
	<u>\$ 50,800,547</u>	<u>\$ 12,840,637</u>

Property acquisition costs recognized during the year ended July 31, 2021 includes \$24,429,970, which is the allocation of the purchase price from the acquisition of UrbanGold (Note 5). During the comparative year ended July 31, 2020, the Company acquired property through cash payments as well as the issuance of shares for a total of \$2,335,162.

The Company has recorded \$4,424,971 in expected tax credits against exploration activity for the year ended July 31, 2021 (July 31, 2020: \$1,580,900). As at July 31, 2021, the Company is carrying a tax credit receivable balance of \$4,217,478 (July 31, 2020: \$1,866,713), which includes the tax credit receivable acquired through the acquisition of UrbanGold. During the year ended July 31, 2021, the Company received \$2,584,748 in tax credits applied against the receivable.

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Notes to the Consolidated Financial Statements

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16. GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended July 31,	
	2021	2020
General and administrative expenses :		
Salaries, payroll costs and consultants	\$ 3,649,158	\$ 2,924,463
Professional costs	324,099	299,898
Shareholder communications	1,075,792	1,046,182
Office and general	426,399	350,135
Travel	140,667	93,741
Mining claim costs, non-core properties	-	2,250
Depreciation	221,131	197,624
	<u>\$ 5,837,246</u>	<u>\$ 4,914,293</u>

17. OTHER (GAINS) AND LOSSES

	Years ended July 31,	
	2021	2020
Other expenses:		
Fee for reclamation bond	\$ 108,602	\$ 99,324
Gain on disposal of assets (Note 9)	(25,397)	-
Unrealized gains on investments held (Note 7)	(530,260)	-
Realized gain on sale of investments (Note 7)	(962,250)	-
Miscellaneous	(13,356)	21,958
	<u>\$ (1,422,661)</u>	<u>\$ 121,282</u>

18. CAPITAL MANAGEMENT

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

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

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18. CAPITAL MANAGEMENT (continued)

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, 2021 and 2020.

19. 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 and transactions

During the year ended July 31, 2021, the Company paid \$85,039 (July 31, 2020: \$86,075) to a private company from which it rents its office space in Chibougamau. The Company's VP of Operations, Mr. Daniel Bergeron, owns 50% of this private company.

As well, Mr. Bergeron is on the board of directors of the Fond regional de solidarité FTQ-Nord-du-Québec, who has provided equity financing to the Company during the year ended July 31, 2021. Mr. Bergeron was not involved in the negotiation and/or approval of this investment.

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,	
	2021	2020
Management salaries and fees	\$ 3,432,990	\$ 2,380,590
Directors fees	370,000	261,291
Share-based payments	4,645,025	1,489,124
	<u>\$ 8,448,015</u>	<u>\$ 4,131,005</u>

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

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20. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. As at the date of this report, these contracts contain minimum commitments of approximately \$1,900,000 and additional contingent payments of approximately \$5,500,000 upon the occurrence of a change of control. As well, the Company currently has 9,666,659 RSU's outstanding to directors, officers and employees of the Company of which 2,164,159 will vest in January 2022, 862,500 will vest in January 2023 and 6,640,000 will vest in August 2023. Upon a change of control, unvested RSU's would vest immediately. As a triggering effect for a change of control has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is obligated to make lease payments over the next 3 years. See Notes 10 and 14.

Underlying royalties on the Troilus Gold property are described in Note 15.

As a result of the Company's flow-through financings in February 2020, the Company was committed to incur qualifying resource expenditures. The Company filed its renunciation forms in December 2020, renouncing these expenditures effective November 30, 2020. As at July 31, 2021, the Company has met this expenditure commitment.

As a result of the Company's flow-through financing in December 2020, the Company was committed to incur qualifying resource expenditures. The Company filed its renunciation forms in January 2021, renouncing these expenditures effective December 31, 2020. As at July 31, 2021, the Company has met this expenditure commitment.

As a result of the Company's flow-through financings in June 2021, the Company was committed to incur qualifying resource expenditures. The Company filed will file renunciation forms in January 2022, renouncing these expenditures effective December 31, 2021. As at July 31, 2021, the Company has incurred expenditures of approximately \$3,400,000 and is required to incur additional qualifying expenditures of approximately \$31,600,000 by December 31, 2022.

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

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

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

21. INCOME TAXES

Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2020 - 26.5%) were as follows:

	July 31, 2021	July 31, 2020
	\$	\$
(Loss) before income taxes	(74,955,164)	(18,413,379)
Expected income tax recovery based on statutory rate	(19,863,000)	(4,880,000)
Adjustment to expected income tax benefit:		
Other	6,907,000	443,000
Change in Benefit of tax assets not recognized	12,956,000	4,437,000
Deferred income tax provision (recovery)	-	-

Deferred income tax balances

Deferred tax assets have not been recognized in respect of the following items:

	July 31, 2021	July 31, 2020
	\$	\$
Non-capital loss carry-forwards	60,204,000	25,557,000
Share issue costs	7,136,000	4,054,000
Unused exploration and evaluation expenses	44,335,000	32,307,000
Other temporary differences	5,797,000	4,497,000
	117,472,000	66,415,000

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.

TROILUS GOLD CORP.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

(Expressed in Canadian dollars)

21. INCOME TAXES (continued)

Tax 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:

<u>Year</u>	<u>Amount (\$)</u>
2028	556,000
2029	612,000
2030	849,000
2031	36,000
2033	2,822,000
2034	1,294,000
2036	523,000
2037	1,235,000
2038	3,884,000
2039	4,850,000
2040	6,735,700
2041	36,807,000
	<u>60,203,700</u>

All other timing differences can be carried forward indefinitely.