



# TROILUS

TROILUS GOLD CORP.

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS

For the three months ended  
October 31, 2021 and 2020

*(expressed in Canadian dollars)*

## **TROILUS GOLD CORP.**

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

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

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

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by CPA Canada for a review of interim financial statements by an entity's auditor.

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

As at	Notes	October 31, 2021	July 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 42,500,220	\$ 53,460,390
Tax credit receivable	14	5,498,542	4,217,478
Amounts receivable	5	1,091,202	1,159,276
Investments	6	104,156	133,538
Prepaid expenses		567,494	514,910
<b>Total current assets</b>		<b>49,761,614</b>	<b>59,485,592</b>
Reclamation deposits	7	844,595	844,595
Property and equipment	8	5,898,365	5,819,313
<b>TOTAL ASSETS</b>		<b>\$ 56,504,574</b>	<b>\$ 66,149,500</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 5,876,268	\$ 6,455,751
Current portion of lease liabilities	9	624,048	518,726
Current portion of reclamation provision	7	110,568	115,228
<b>Total current liabilities</b>		<b>6,610,884</b>	<b>7,089,705</b>
Long-term portion of lease liabilities	9	670,074	711,998
Flow-through share premium liability	10	5,954,767	7,932,619
Reclamation provision	7	3,341,437	3,480,239
<b>Total liabilities</b>		<b>16,577,162</b>	<b>19,214,561</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	166,628,246	166,112,552
Share purchase warrant reserve	11	9,764,450	9,892,169
Share-based payment reserve	12	5,865,329	4,834,969
Accumulated deficit		(142,330,613)	(133,904,751)
<b>Total shareholders' equity</b>		<b>39,927,412</b>	<b>46,934,939</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 56,504,574</b>	<b>\$ 66,149,500</b>
Nature of operations	1		
Commitments and contingencies	19		
Subsequent event	20		

Approved on behalf of the Board of Directors:

*"Tom Olesinski"*

Director

*"Justin Reid"*

Director

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

		Three months ended October 31,	
		2021	2020
<b>Expenses</b>	Notes		
Exploration and evaluation expenses	14	\$ 7,455,294	\$ 3,851,146
Reclamation estimate	7	(113,150)	(156,339)
General and administrative expenses	15	1,633,757	1,409,683
Share-based payments	12	1,385,859	1,319,587
<b>Total expenses before other items</b>		<b>10,361,760</b>	<b>6,424,077</b>
<b>Other (income)/expenses</b>			
Interest income		(65,935)	(35,640)
Interest on lease liabilities	9	31,572	47,327
Flow-through share premium	10	(1,977,852)	(244,435)
Accretion of reclamation provision	7	18,157	12,114
Other (gains) and losses	16	58,160	4,899
<b>Net loss and comprehensive loss for the period</b>		<b>\$ 8,425,862</b>	<b>\$ 6,208,342</b>
<b>Net loss per share</b>			
Basic and diluted		\$ 0.04	\$ 0.05
<b>Weighted average common shares outstanding</b>			
Basic and diluted		196,278,579	114,939,339

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

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

		Three months ended October 31,	
	Notes	2021	2020
<b>CASH FLOWS FROM:</b>			
<b>Operating activities</b>			
Net loss for the period		\$ (8,425,862)	\$ (6,208,342)
Items not involving cash			
Share-based payments	12	1,385,859	1,319,587
Depreciation	8	321,309	248,432
Flow-through share premium	10	(1,977,852)	(244,435)
Reclamation estimate adjustment	7	(113,150)	(156,339)
Reclamation costs incurred	7	(48,469)	(52,591)
Other (gains) and losses	16	33,484	(12,069)
Accretion of reclamation estimate	7	18,157	12,114
		<u>(8,806,524)</u>	<u>(5,093,643)</u>
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		15,490	(4,792)
Tax credit receivable		(1,281,064)	(1,158,000)
Accounts payable and accrued liabilities		(579,483)	78,208
		<u>(1,845,057)</u>	<u>(1,084,584)</u>
Cash flows used in operating activities		<u>(10,651,581)</u>	<u>(6,178,227)</u>
<b>Financing activities</b>			
Share issue costs	10	(111,500)	-
Exercise of warrants	11	143,976	-
Lease payments	9	(124,886)	(223,645)
Cash flows (used in) financing activities		<u>(92,410)</u>	<u>(223,645)</u>
<b>Investing activities</b>			
Property and equipment	8	(216,179)	(133,298)
Investment in securities		-	(86,834)
Restricted cash for Letter of Credit	7	-	(794,595)
Cash flows used in investing activities		<u>(216,179)</u>	<u>(1,014,727)</u>
<b>Net change in cash and cash equivalents</b>		(10,960,170)	(7,416,599)
<b>Cash and cash equivalents, beginning of the period</b>		53,460,390	29,883,416
<b>Cash and cash equivalents, end of the period</b>		<u>\$ 42,500,220</u>	<u>\$ 22,466,817</u>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>			
Cash		\$ 27,394,320	\$ 4,366,994
Cash equivalents		15,105,900	18,099,823
		<u>\$ 42,500,220</u>	<u>\$ 22,466,817</u>
<b>SUPPLEMENTARY INFORMATION</b>			
Equipment purchased through leases	8,9	\$ 188,284	\$ 324,000

## TROILUS GOLD CORP.

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

(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share purchase warrant reserve	Share-based payment reserve	Accumulated Deficit	Total Shareholders' equity
<b>Balance as at July 31, 2021</b>		195,935,173	\$ 166,112,552	\$ 9,892,169	\$ 4,834,969	\$ (133,904,751)	\$ 46,934,939
Share-based payments	12	301,666	355,499	-	(355,499)	-	-
Value of share-based compensation	12	-	-	-	1,385,859	-	1,385,859
Exercise of warrants	11	240,320	143,976	-	-	-	143,976
Allocation of value on exercise of warrants	11	-	127,719	(127,719)	-	-	-
Cost of issue		-	(111,500)	-	-	-	(111,500)
Net loss for the period		-	-	-	-	(8,425,862)	(8,425,862)
<b>Balance as at October 31, 2021</b>		<b>196,477,159</b>	<b>\$ 166,628,246</b>	<b>\$ 9,764,450</b>	<b>\$ 5,865,329</b>	<b>\$ (142,330,613)</b>	<b>\$ 39,927,412</b>
<b>Balance as at July 31, 2020</b>		114,939,339	87,242,757	9,763,070	1,047,793	(65,713,793)	32,339,827
Value of share-based compensation	12	-	-	-	1,319,587	-	1,319,587
Net loss for the period		-	-	-	-	(6,208,342)	(6,208,342)
<b>Balance as at October 31, 2020</b>		<b>114,939,339</b>	<b>\$ 87,242,757</b>	<b>\$ 9,763,070</b>	<b>\$ 2,367,380</b>	<b>\$ (71,922,135)</b>	<b>\$ 27,451,072</b>

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

# **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

*(Expressed in Canadian dollars)*

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## **1. NATURE OF OPERATIONS**

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

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

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing, 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 three months ended October 31, 2021 were approved and authorized for issue by the Board of Directors on December 9, 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”) applicable to the preparation of interim financial statements, including International Account Standard (“IAS”) 34, “Interim Financial Reporting”. The policies set out in the Company’s annual consolidated financial statements for the year ended July 31, 2021 were consistently applied to all periods presented unless otherwise noted below.

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

## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

*(Expressed in Canadian dollars)*

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

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

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

#### Principles of consolidation

During the three months ended October 31, 2021, the Company effected a statutory amalgamation with UrbanGold. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Signet Minerals Inc. All significant intercompany transactions and balances have been eliminated upon consolidation.

#### 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, 2022 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.



## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

*(Expressed in Canadian dollars)*

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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

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

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

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

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian dollars)

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

#### Mineral resource estimates

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

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

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

#### 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.

#### 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.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian dollars)

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

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

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

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

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

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

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

#### Contingencies

Refer to Note 19.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian dollars)

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

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

#### 5. AMOUNTS RECEIVABLE

	October 31, 2021	July 31, 2021
Input tax credits receivable	\$ 1,089,186	\$ 1,157,789
Other miscellaneous receivables	2,016	1,487
	<u>\$ 1,091,202</u>	<u>\$ 1,159,276</u>

#### 6. INVESTMENTS

Included in Investments at October 31, 2021 are securities that were acquired through the UrbanGold acquisition. UrbanGold acquired these investments through property option agreements. These shares were initially measured at Fair Value through Profit and Loss ("FVPL") on the date of the acquisition and were remeasured and recorded at a value of \$104,156 at October 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 \$29,382 was recorded as an unrealized loss for the three months ended October 31, 2021 with respect to these securities (three months ended October 31, 2020: \$nil).

#### 7. RECLAMATION DEPOSITS AND PROVISION

##### Deposits:

The Company entered into a bonding facility with an insurance company in order to secure 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 deposited \$794,595 into a Guaranteed Investment Certificate secured by a Letter of Credit and pays an annual fee of 2.5% of the insured amount.

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.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian dollars)

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### 7. RECLAMATION DEPOSITS AND PROVISION (continued)

Provision:

The Company recognized a provision for future estimated reclamation and water treatment costs of the former Troilus mine. As at October 31, 2021, the estimated future liability of approximately \$3,500,000 (July 31, 2020: \$3,500,000), was adjusted for inflation at an average rate of 1.73% (July 31, 2021: 1.70%), discounted at a rate of 2.02% (July 31, 2021: 1.76%) and recorded as \$3,452,005, \$110,568 as a current liability and \$3,341,437 as a long-term liability (July 31, 2020: \$3,595,467, \$115,228 as a current liability and \$3,480,239 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 \$113,150 was recorded as an adjustment to the reclamation estimate to the consolidated statements of operations for the three months ended October 31, 2021 (three months ended October 31, 2020: \$156,339). Accretion of \$18,157 was recognized for the three months ended October 31, 2021 on the consolidated statements of operations (three months ended October 31, 2020: \$12,114).

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Balance as at July 31, 2021	\$	3,595,467
Accretion of discount		18,157
Adjustments resulting from remeasurement		(113,150)
Incurred costs applied against liability		(48,469)
<b>Balance as at October 31, 2021</b>	<b>\$</b>	<b>3,452,005</b>
Current portion of liability	\$	110,568
Long-term portion of liability		3,341,437
	\$	3,452,005

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## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2021 and 2020

(Expressed in Canadian dollars)

### 8. 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, 2021	\$ 151,280	\$ 1,405,841	\$ 747,704	\$ 705,524	\$ 4,998,919	\$ 8,009,268
Additions	11,593	192,164	-	97,949	108,757	410,463
Disposals	-	-	-	(14,640)	-	(14,640)
<b>Balance, October 31, 2021</b>	<b>\$ 162,873</b>	<b>\$ 1,598,005</b>	<b>\$ 747,704</b>	<b>\$ 788,833</b>	<b>\$ 5,107,676</b>	<b>\$ 8,405,091</b>
<i>Depreciation</i>						
Balance, July 31, 2021	\$ (86,568)	\$ (640,055)	\$ (220,702)	\$ (123,969)	\$ (1,118,661)	\$ (2,189,955)
Expense for the period	(10,217)	(78,067)	(82,538)	(19,537)	(130,950)	(321,309)
Disposals	-	-	-	4,538	-	4,538
<b>Balance, October 31, 2021</b>	<b>\$ (96,785)</b>	<b>\$ (718,122)</b>	<b>\$ (303,240)</b>	<b>\$ (138,968)</b>	<b>\$ (1,249,611)</b>	<b>\$ (2,506,726)</b>
Net book value, July 31, 2021	\$ 64,712	\$ 765,786	\$ 527,002	\$ 581,555	\$ 3,880,258	\$ 5,819,313
<b>Net book value, October 31, 2021</b>	<b>\$ 66,088</b>	<b>\$ 879,883</b>	<b>\$ 444,464</b>	<b>\$ 649,865</b>	<b>\$ 3,858,065</b>	<b>\$ 5,898,365</b>

An amount of \$321,309 was expensed in depreciation for the three months ended October 31, 2021, where \$260,857 was recorded as exploration and evaluation expenses and \$60,452 was recorded as general and administrative expenses (three months ended October 31, 2020: \$248,432, where \$196,564 was allocated to exploration and evaluation expenses and \$51,868 was allocated to general and administrative expenses).

The Company recognized \$188,284 in assets acquired through leases (Note 9) during the three months ended October 31, 2021 (three months ended October 31, 2020: \$324,000). The Company leased additional office space during the quarter ended October 31, 2021 which was recognized as Right-of-Use assets. As well, the Company traded in equipment applying \$6,000 against the lease of a newer model, resulting in a loss on disposal of \$4,102. During the comparative three months ended October 31, 2020, the Company acquired vehicles through Right-of-Use leases and traded in existing vehicles on lease for new vehicles resulting in a gain on disposal of \$14,252.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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### 9. LEASE LIABILITIES

Balance as at July 31, 2021	\$	1,230,724
Assets acquired from leases and financing arrangements		188,284
Payments made during the period		(124,886)
<b>Balance as at October 31, 2021</b>	<b>\$</b>	<b>1,294,122</b>
Current portion of lease liabilities	\$	624,048
Long-term portion of lease liabilities		670,074
	\$	1,294,122

During the three months ended October 31, 2021, the Company's lease additions include office space which generated a lease liability of approximately \$177,000 over a three-year term. The Company's other right-of-use leases include office leases and leases for certain infrastructure and vehicles, with terms of up to 2.7 years. Interest expense recognized on these leases for the three months ended October 31, 2021 was \$31,572 (three months ended October 31, 2020: \$47,327).

During the three months ended October 31, 2021, the Company incurred \$240,634 for short-term rental equipment (three months ended October 31, 2020: \$122,545) which was recorded in exploration and evaluation expenses on the consolidated statement of operations.

### 10. SHARE CAPITAL

	No. of Shares	Balance
Balance as at July 31, 2021	195,935,173	\$ 166,112,552
Cost of issue	-	(111,500)
Exercise of warrants (Note 11)	240,320	143,976
Allocation of value on exercise of warrants	-	127,719
Share-based payments (Note 12)	301,666	355,499
<b>Balance as at October 31, 2021</b>	<b>196,477,159</b>	<b>\$ 166,628,246</b>

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 June 2021, a flow-through share premium liability was recorded to the Statement of Financial Position during the prior fiscal year. During the three months ended October 31, 2021, the liability was reduced by \$1,977,852 as a result of expenditures against the flow-through commitment and recorded as a flow-through share premium recovery on the consolidated statements of operations (three months ended October 31, 2020: \$244,435). A balance of \$5,954,767 remains on the Consolidated Statement of Financial Position as at October 31, 2021.

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### 11. SHARE PURCHASE WARRANT RESERVE

	Number of Warrants	Weighted Average Exercise Price	Value
Balance as at July 31, 2021	37,534,557	\$1.43	\$ 9,892,169
Exercised	(240,320)	\$0.60	(127,719)
<b>Balance as at October 31, 2021</b>	<b>37,294,237</b>	<b>\$1.43</b>	<b>\$ 9,764,450</b>

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, one UrbanGold common share for 0.3004 shares of the Company. Of these, 240,320 were exercised during the three months ended October 31, 2021.

The following table summarizes the warrants outstanding as at October 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)
\$0.42	December 6, 2021	56,190	56,190	40,130	0.10	\$1.13	0%	39.90%	0.12%	0.55
\$0.50	December 6, 2021	124,016	124,016	78,278	0.10	\$1.13	0%	39.90%	0.12%	0.55
\$1.50	June 23, 2022	12,075,000	12,075,000	2,998,864	0.64	\$0.92	0%	80.27%	0.30%	2.00
\$0.67	June 3, 2023	2,258,106	2,258,106	1,380,934	1.59	\$1.13	0%	67.66%	0.32%	2.04
\$1.50	June 30, 2023	16,461,080	16,461,080	3,561,672	1.66	\$0.98	0%	67.36%	0.45%	2.00
\$1.50	July 15, 2023	5,068,180	5,068,180	1,164,606	1.70	\$0.98	0%	67.36%	0.44%	2.00
\$1.20	September 10, 2023	1,251,666	1,251,666	539,966	1.86	\$1.13	0%	68.40%	0.32%	2.32
		37,294,237	37,294,237	\$9,764,450	1.33					

### 12. SHARE-BASED PAYMENT RESERVE

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

The Company's Incentive Share Unit Plan ("ISU Plan") authorizes the grant of 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 October 31, 2021, no DSU's have been granted.



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

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.

	Stock option Value	RSU Value	TOTAL
Balance as at July 31, 2021	\$ 209,279	\$ 4,625,690	\$ 4,834,969
RSU expense accrued	-	1,385,859	1,385,859
Value of RSUs vested and settled	-	(355,499)	(355,499)
<b>Balance as at October 31, 2021</b>	<b>\$ 209,279</b>	<b>\$ 5,656,050</b>	<b>\$ 5,865,329</b>

Outstanding Stock Options at October 31, 2021:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value	Weighted Average Remaining Contractual Life	Assumptions				
						Expected 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	0.92	\$1.13	0%	69%	0.20%	1.37
\$ 1.64	January 3, 2023	250,000	250,000	\$195,576	1.18	\$1.12	0%	100%	2.26%	5.00
	Total	280,040	280,040	\$209,279	1.15					

The Company does not intend to issue any new stock options under the Company's stock option plan in favour of granting RSU's and DSU's. RSU's settled during the three months ended October 31, 2021 vested during the prior year in July 2021.

Outstanding unvested RSU's:

	Number of RSU's
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
Granted	800,000
<b>Balance as at October 31, 2021</b>	<b>9,666,659</b>

## TROILUS GOLD CORP.

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

<u>Vesting Date</u>	<u>Number of RSU's</u>
January 17, 2022	2,164,159
January 15, 2023	862,500
August 4, 2023	6,640,000
	<u>9,666,659</u>

During the three months ended October 31, 2021, the Company granted 800,000 RSU's to officers of the Company, where 210,000 vest on January 17, 2022 and 590,000 vest on January 15, 2023. The fair value of these RSU's was estimated to be \$0.90 and \$0.84 per unit based on the quoted market price of the Company's shares on the date of grant.

Share-based payments of \$1,385,859 was recognized for the three months ended October 31, 2021 related to these RSU's, which includes an accrual for unvested RSU's (three months ended October 31, 2020: \$1,319,587).

### 13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities were classified as follows:

	<u>Assets at amortized cost</u>	<u>Assets at fair value through profit or loss</u>	<u>Liabilities at amortized cost</u>	<u>Total</u>
<b>As at October 31, 2021</b>				
Cash and cash equivalents	\$ 27,394,320	\$ 15,105,900	\$ -	\$ 42,500,220
Investments	-	104,156	-	104,156
Reclamation deposit	-	844,595	-	844,595
Accounts payable and accrued liabilities	-	-	5,876,268	5,876,268
Lease liabilities	-	-	1,294,122	1,294,122

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.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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### 13. FINANCIAL INSTRUMENTS (continued)

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at October 31, 2021:

	Level 1	Level 2	Level 3	TOTAL
<b>As at October 31, 2021</b>				
Cash equivalents	\$ 15,105,900	-	\$ -	\$15,105,900
Investments	92,956	-	11,200	104,156
Reclamation deposit	844,595	-	-	844,595

Some of the Company's investments are not publicly traded. Other valuation factors were used to estimate the fair value at October 31, 2021, such as recent financings of the publicly traded entity.

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

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

## TROILUS GOLD CORP.

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### 13. FINANCIAL INSTRUMENTS (continued)

As at October 31, 2021, the Company had current assets of \$49,761,614 (July 31, 2021: \$59,485,592) to settle current liabilities of \$6,610,884 (July 31, 2020: \$7,089,705). Approximately \$5,000,000 of the Company's financial liabilities as at October 31, 2021 have contractual maturities of less than 30 days and are subject to normal trade terms.

Liability	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Accounts payable and accrued liabilities	\$ 5,876,268	\$ 5,876,268	\$ -	\$ -	\$ -
Lease liabilities	1,294,122	624,048	662,916	7,158	-
Reclamation provision	3,452,005	110,568	357,477	439,029	2,544,931

#### Market risk - Interest rate risk

The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. Based on cash and cash equivalent balances on hand at October 31, 2021, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$42,500.

### 14. EXPLORATION AND EVALUATION EXPENSES

The Company owns the Troilus Gold property, consisting of mineral claims and a past-producing mine property located near Chibougamau, within the Frotêt-Evans Greenstone Belt in Quebec, Canada. During the last two years, the Company acquired various claims extending its land package, including the Bullseye and Pallador claims acquired through the acquisition of UrbanGold. The Bullseye claims comprise a 50-50 joint arrangement with a third party, accounted for as a joint operation. As a result, the Company recognizes its proportionate share of any expenses related to this joint arrangement.

Of the claims initially acquired from First Quantum Minerals Inc. ("First Quantum"), 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.

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

As well, the Company is subject to royalties on certain of the claims acquired through the UrbanGold acquisition, 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.

	Three months ended October 31,	
	2021	2020
Exploration and evaluation expenses:		
Drilling, assaying and geology	\$ 5,276,266	\$ 2,316,973
Salaries, payroll costs and consultants	1,649,971	1,334,220
Site and camp costs	666,863	301,987
Support and other costs	131,205	119,462
Studies	589,758	630,041
Government and community relations	16,826	50,065
Travel	144,612	59,834
Depreciation	260,857	196,564
Tax credits	(1,281,064)	(1,158,000)
	<u>\$ 7,455,294</u>	<u>\$ 3,851,146</u>

The Company has recorded \$1,281,064 in expected tax credits against exploration activity for the three months ended October 31, 2021 (three months ended October 31, 2020: \$1,158,000). As at October 31, 2021, the Company is carrying a tax credit receivable balance of \$5,498,542 (July 31, 2021: \$4,217,478).

### 15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended October 31,	
	2021	2020
General and administrative expenses :		
Salaries, payroll costs and consultants	\$ 675,074	\$ 830,101
Professional costs	115,371	147,927
Shareholder communications	549,012	249,659
Office and general	93,900	69,299
Travel	139,948	60,829
Depreciation	60,452	51,868
	<u>\$ 1,633,757</u>	<u>\$ 1,409,683</u>

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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### 16. OTHER (GAINS) AND LOSSES

	Three months ended October 31,	
	2021	2020
Other expenses:		
Fee for reclamation bond	\$ 24,355	\$ 24,831
Loss on disposal of assets (Note 8)	4,102	(14,252)
Unrealized loss on investments held (Note 6)	29,382	-
Miscellaneous	321	(5,680)
	<u>\$ 58,160</u>	<u>\$ 4,899</u>

### 17. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended October 31, 2021 and 2020.

### 18. RELATED PARTY DISCLOSURES

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

#### *Related party balances and transactions*

During the three months ended October 31, 2021, the Company paid \$19,793 (three months ended October 31, 2020: \$25,654) to a private company from which it rents its office space in Chibougamau. The Company's VP of Operations, Mr. Daniel Bergeron, owns 50% of this private company.

## TROILUS GOLD CORP.

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### 18. RELATED PARTY DISCLOSURES (continued)

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

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

	Three months ended October 31,	
	2021	2020
Management salaries and fees	\$ 681,009	\$ 811,196
Directors fees	92,500	92,500
Share-based payments	1,128,078	1,188,826
	<u>\$ 1,901,587</u>	<u>\$ 2,092,522</u>

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

### 19. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. As at the date of this report, these contracts contain minimum commitments of approximately \$1,960,000 and additional contingent payments of approximately \$5,000,000 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 9 and 13.

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

As a result of the Company's flow-through financings in June 2021, the Company was committed to incur qualifying resource expenditures. The Company will file renunciation forms in January 2022, renouncing these expenditures effective December 31, 2021. As at October 31, 2021, the Company has incurred expenditures of approximately \$11,300,000 and is required to incur additional qualifying expenditures of approximately \$23,700,000 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.

## **TROILUS GOLD CORP.**

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

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

### **20. SUBSEQUENT EVENT**

On December 9, 2021, the Board of Directors approved a grant of 2,878,750 RSU's effective December 15, 2021, vesting in three equal tranches in January 2022, January 2023 and January 2024. to directors, officers and employees of the Company.