



# TROILUS

TROILUS GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended  
July 31, 2019 and 2018

# Management's Discussion and Analysis

For the year ended July 31, 2019

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The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Troilus Gold Corp. ("we", "our", "us", "Troilus", "Troilus Gold" or the "Company") for the year ended July 31, 2019 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended July 31, 2019. The financial statements and related notes of Troilus have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain Non-IFRS measures are discussed in this MD&A and are clearly disclosed as such. Additional information, including our press releases, has been filed electronically on SEDAR and is available online under the Company's profile at [www.sedar.com](http://www.sedar.com) and on our website at [www.troilusgold.com](http://www.troilusgold.com).

This MD&A reports our activities through October 17, 2019 unless otherwise indicated. References to the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2019 or Q1-, Q2-, Q3- and Q4-2019, and the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2018 or Q1-, Q2-, Q3- and Q4-2018 mean the three months ended October 31, 2018, January 31, April 30, and July 31, 2019 and October 31, 2017 and January 31, April 30, and July 31, 2018 respectively. Unless otherwise noted, all references to currency in this MD&A refer to Canadian dollars.

Blake Hylands, P.Geol, Vice-President of Exploration for Troilus, is the in-house Qualified Person under National Instrument 43-101 and has reviewed and approved the scientific and technical information in this MD&A. Mr. Hylands is an employee of Troilus and is therefore not considered to be independent under National Instrument 43-101.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Troilus, certain information contained herein constitutes forward-looking information under Canadian securities legislation. Forward-looking information includes, without limitation, statements with respect to: possible events, the future price of gold, the estimation of mineral reserves and mineral resources, potential upgrades and/or expansion of the mineral resources, the realization of mineral reserve and mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of projects and new deposits, success of exploration, development and mining activities, permitting timelines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words "anticipates", "plans", "expects", "indicative", "intend", "scheduled", "timeline", "estimates", "forecasts", "guidance", "opportunity", "outlook", "potential", "projected", "schedule", "seek", "strategy", "study" (including, without limitation, as may be qualified by "feasibility" and "pre-feasibility"), "targets", "models", or "believes", or variations of or similar such words and phrases or statements that certain actions, events or results "may", "could", "would", or "should", "might", or "will be taken", "occur" or "be achieved" and similar expressions identify forward-looking information. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Troilus and its external professional advisors as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that forward-looking statements will prove

to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Forward-looking information is provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with the securities regulators of Canada including, but not limited to, the cautionary statements made in the "Risk and Uncertainties" section of the Annual Information Form dated October 17, 2019 and the Management Information Circular dated December 31, 2018 (both filed on SEDAR) and this MD&A. These factors are not intended to represent a complete list of the factors that could affect the Company. Economic analyses (including mineral reserve and mineral resource estimates) in technical reports are based on commodity prices, costs, sales, revenue and other assumptions and projections that can change significantly over short periods of time. As a result, economic information in a technical report can quickly become outdated. Troilus disclaims any intention or obligation to update or revise any forward-looking information or to explain any material difference between subsequent events and such forward-looking information, except to the extent required by applicable law and regulations.

## **TROILUS GOLD PROPERTY**

The Troilus Gold property is located northeast of the Val-d'Or mining district, within the Frotêt-Evans Greenstone Belt in Quebec, Canada. The property consists of 290 mineral claims and one surveyed mining lease that collectively cover approximately 16,000 hectares and includes the former Troilus Mine.

From 1997 to 2010 Inmet Mining Company ("Inmet") operated the Troilus Mine, which produced in excess of 2,000,000 ounces of gold and 70,000 tonnes of copper. Inmet commissioned the Troilus mill in 1996 and achieved commercial production in April 1997 at a rate of 10,000 tonnes per day with recoveries of 86% gold and 90% copper and a concentrate grade of 18% copper, eventually reaching a production milestone of 18,000 tonnes per day. First Quantum Minerals Ltd. ("First Quantum") acquired the Troilus Gold property through its acquisition of Inmet in 2013.

The Troilus Gold property was acquired in two separate transactions. The first consisted of the acquisition from First Quantum of 81 mineral claims and one surveyed mining lease that collectively covered approximately 4,700 hectares and included the former Troilus Mine. (See "THE TRANSACTION" on page 14 for details of the acquisition). The second transaction consisted of the acquisition from Emgold Mining Corporation ("Emgold") of 209 mineral claims that covers approximately 11,300 hectares (see November 28, 2018 press release entitled "Troilus Gold Corp. to Triple Land Position With Acquisition of Troilus North Project From Emgold Mining Corporation" as well as a December 5, 2018 press release entitled "Troilus Gold Corp. Completes Acquisition of Troilus North Project from Emgold Mining Corporation").

The Company also has a local office in the city of Chibougamau, Quebec and an information center in the Cree Nation town of Mistissini.

## ACCOMPLISHMENTS AND OUTLOOK

In the last two years, the Company has:

- Raised approximately \$47 million with a strong institutional shareholder base.
- Successfully completed the acquisition of the Troilus Gold property from First Quantum.
- Completed the acquisition and construction of a 50-man exploration camp.
- Signed a Pre-Development agreement with the Cree Nation of Mistissini.
- Opened an information center in Mistissini and an office in Chibougamau.
- Announced a 93% increase from the 2016 resource estimate with Indicated of 3.9 Moz at 1.0 g/t and Inferred of 1.2 Moz at 1.0 g/t (see Page 6).
- Successfully graduated from the TSX Venture Exchange to the Toronto Stock Exchange (“TSX”).
- Successfully completed the acquisition from Emgold of an additional 209 mineral claims adjacent to the Troilus Gold property.
- Completed two drill programs, a 36,000 metre program in 2018 and a 36,000 metre program in 2019.
- Subsequent to the end of the year, the Company raised an additional \$6.2 million through a private placement flow-through financing.

Looking forward, the Company:

- Plans to complete a Pre-Feasibility Study (“PFS”).
- Expects to release an updated resource estimate, incorporating the 2019 drill program results, in the last calendar quarter of 2019.
- Upon completion of the PFS, management expects to continue engineering to the Feasibility Study stages.

## EXPLORATION ACTIVITIES

The 2019 36,000 metre drill program was completed in July 2019. The program took into consideration the additional 209 mineral claims from Emgold, and was carried out in two phases, designed to derisk and expand upon the already significant mineral resource defined by the Company in November 2018. The program aimed to continue expanding the potential open pit mineral resources near-surface, and also confirm and expand down dip and strike extensions of historic mineralization below the former producing Troilus mine.

Results from Z87 South clearly demonstrate a mineral continuity that extends south beyond the limit of Z87. The 2019 drill targets in Z87 South have successfully broadened mineralization over 600 metres along strike and over 350 metres down dip, and management believes there remains excellent potential for further growth based on favourable geology, geophysics and lack of drill density. The discovery of this mineralized extension is a result of the Company’s new understanding of the structural influence on mineralization across the deposit and the regional trend. Based on measurements taken on outcrops and in the mined open pit walls, the Company directed drilling further to the west with the intention of targeting a mineralized zone that it suspected historic drilling may have missed. This zone will remain a priority target area for subsequent phases of drilling as the Company aims to define the extent of this new mineral zone.

Results from the J Zone have significantly extended the boundaries of known mineralization to the north east and south west in the J4 Zone, well beyond the formerly mined J4 pit. Shallower intercepts from

certain holes are believed to be mineral extensions from the neighbouring J5 mineral zone, suggesting the J4 and J5 zones may prove to be one and the same. Results also demonstrate a near surface continuity extending the mineralization up to 1.2 km to the south west beyond the limit of the former J5 pit. The discovery of this mineralized extension is a result of the Company's new understanding of the structural influence on mineralization across the deposit and the regional trend. The Company has begun to outline future drill targets to further improve resolution and continue defining the mineral boundaries along the Troilus trend.

In August 2018, the Company completed its 36,000 metre drill program which consisted of 91 drill holes. The intent of the program was to confirm and expand the underground potential at Z87, explore open pit potential at the J Zone, and discover new opportunities for resource development across the property. The program focused on Z87 and the J Zone (J4 and J5), and during the fall, property wide exploration also took place with a focus on Southwest and J4 North extension.

On November 19, 2018, the Company announced the results of its new mineral resource estimate (see table below). The estimate incorporates the results from the over 36,000-metre completed drill program.

The Company is continuing to compile data to incorporate into a mineral resource update, anticipated to be released before the end of 2019. Currently, the exploration team is working on a regional surface exploration program and plans to commence a small drill program before the end of 2019. As a result of the Company's flow-through financing completed subsequent to the end of the year (see Subsequent Events), the company will be required to spend \$6,222,954 on qualified exploration expenditures before December 2020. The Company anticipates meeting this expenditure commitment well before that deadline. Exploration and PFS costs will be better defined once the Company's resource update is released.

Current Mineral Resource Estimates

OPEN PIT AND UNDERGROUND MINERAL RESOURCE ESTIMATE  
Troilus Gold Corp. - Troilus project  
*effective as of November 19, 2018*

Classification	Tonnage (MT)	Au (g/t)	Cu (%)	AuEq (g/t)	Contained Gold (Moz)	Contained Copper (Mlb)	Contained AuEq (Moz)
<b>Total Open Pit and Underground</b>							
Indicated	121.7	0.87	0.086	1.00	3.40	231.8	3.92
Inferred	36.1	0.88	0.083	1.01	1.02	66.2	1.17
<b>Total Open Pit</b>							
Indicated	97.5	0.76	0.078	0.88	2.37	167.0	2.70
Inferred	21.7	0.60	0.062	0.69	0.42	29.7	0.50
<b>Total Open Pit Z87</b>							
Indicated	56.6	0.83	0.096	0.98	1.51	119.4	1.80
Inferred	12.1	0.85	0.066	0.68	0.23	17.5	0.30
<b>Total Open Pit J4-J5</b>							
Indicated	40.8	0.66	0.053	0.74	0.86	47.6	1.00
Inferred	9.6	0.61	0.058	0.70	0.19	12.2	0.20
<b>Total Underground</b>							
Indicated	24.2	1.32	0.121	1.50	1.02	64.8	1.20
Inferred	14.4	1.31	0.115	1.49	0.61	36.5	0.70

Notes:

1. The Canadian Institute of Mining, Metallurgy and Petroleum (CIM), definitions were followed for Mineral Resource Estimates.
2. Open pit Mineral Resources were estimated at a cut-off grade of 0.3 g/t AuEq and were constrained by a Whittle pit shell. Underground Mineral Resources were estimated at a cut-off grade of 0.9 g/t AuEq.
3. Mineral Resources were estimated using long-term metal prices of US\$1,400 per ounce gold and US\$3.25 per pound copper; and an exchange rate of US\$1.00 = C\$1.25.
4. AuEq = (Au grade + 1.546 x Cu grade).
5. A recovery of 83% was used for gold and 92% for copper.
6. Figures have been rounded to the appropriate level of precision for the reporting of Mineral Resources.
7. Due to rounding, some columns or rows may not compute exactly as shown.
8. The resource estimate was prepared by RPA Principal Geological Engineer Luke Evans, M.Sc., P.Eng.
9. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

The mineral resource estimate was prepared pursuant to National Instrument 43-101 – Standards Disclosure for Mineral Projects (“Ni 43-101”) by RPA Inc. and has been reviewed internally by the Company. The full technical report is available on SEDAR under the Corporation’s issuer profile.

Exploration and evaluation expenses on the Troilus Gold project:

	Quarters ended		Years ended	
	July 31,		July 31,	
	2019	2018	2019	2018
Exploration and evaluation expenses:				
Drilling, assaying and geology	\$ 3,084,357	\$ 2,177,659	\$ 7,167,199	\$ 3,998,445
Salaries, payroll costs and consultants	1,376,722	988,184	5,057,869	1,521,255
Site and camp costs	178,450	203,853	781,967	447,506
Support and other costs	238,189	151,012	803,894	311,130
Studies	225,144	156,468	693,015	260,558
Government and community relations	25,171	29,248	101,638	58,889
Travel	69,600	72,359	233,013	138,001
Depreciation	59,419	23,387	213,056	31,997
Tax credits	(913,838)	(1,044,979)	(913,838)	(1,044,979)
Property acquisition costs	-	-	2,518,750	-
Option acquisition costs	-	21,600	-	403,247
Non-cash option acquisition cost	-	242,242	-	11,219,000
	\$ 4,343,214	\$ 3,021,033	\$ 16,656,563	\$ 17,345,049

For the quarter ended July 31, 2019:

Exploration and evaluation expenses for the quarter ended July 31, 2019 are detailed in the table above. The Company's 2019 drilling program was completed during Q4-2019. During the comparative quarter, the Company was completing its 2018 drill program. Drilling, assaying and geology costs increased from the comparative quarter by \$906,698 primarily from higher assaying costs. During Q4-2019, the Company was using a different assaying method, and was assaying more samples, contributing to the higher costs. Salaries, payroll costs and consultants increased by \$388,538 compared to the Q4-2018 as a result of increased activity at the site and higher use of site consultants. Support and other costs increased by \$87,177 as a result of the increased activity, particularly from helicopter costs. The Company initiated and/or completed various studies throughout Q4-2019 including metallurgical studies and baseline studies, compared to work on the PEA during Q4-2018. The Company accrued and received some of the tax credits receivable during both Q4-2019 and Q4-2018 which was recorded against exploration expenditure on which the tax credits are based.

For the year ended July 31, 2019:

Exploration and evaluation expenses for the year ended July 31, 2019 are detailed in the table above. Drilling, assaying and geology costs were \$3,168,754 higher for the year ended July 31, 2019 compared to the year ended July 31, 2018. The Company completed its 2018 drill program during Q1-2019 and recommenced drilling in Q3-2019. Assaying costs in particular contributed to the higher costs. As well, there was overall more activity during 2019 compared to 2018 as the option on the Troilus project was exercised towards the end of Q3-2018 and additional mining claims were acquired during 2019. Salaries, payroll costs and consultants increased by \$3,536,614 in 2019 compared to 2018. There was minimal activity during the first half of 2018, and this increase reflects the gradual hiring of a new team of both employees and site consultants after the completion of the reverse acquisition. Site and camp costs and

support costs are also higher during 2019 as a result of this gradual increase in activity post transaction. The Company worked on a PEA for the first half of the year (which will be directed towards the PFS), completed its mineral resource estimate and initiated metallurgical and baseline studies during 2019 resulting in an increase in costs of \$432,457. During the year ended July 31, 2019, the Company acquired property from Emgold at a cost of \$2,518,750. The comparative period included costs incurred to evaluate the economic viability of exercising the Troilus option and prepare the internal desktop studies and engineering and technical studies required to exercise the option agreement, as well as the costs to exercise the option. Non-cash option acquisition cost during the year ended July 31, 2018 related to the reverse acquisition.

## RESULTS OF OPERATIONS

	Three months ended		Years ended	
	July 31,		July 31,	
	2019	2018	2019	2018
<b>Expenses</b>				
Exploration and evaluation expenses	\$ 4,343,214	\$ 3,021,033	\$ 16,656,563	\$ 17,345,049
Reclamation estimate	265,280	(35,795)	351,660	3,500,653
General and administrative expenses	867,745	988,863	5,207,002	3,867,864
Share-based payments	965,138	(1,637,783)	1,559,138	3,153,240
<b>Total expenses before other items</b>	<b>6,441,377</b>	<b>2,336,318</b>	<b>23,774,363</b>	<b>27,866,806</b>
<b>Other (income)/expenses</b>				
Interest income	(52,000)	(64,163)	(230,918)	(145,647)
Flow-through share premium	(1,187,139)	(799,683)	(4,117,630)	(799,683)
Accretion of reclamation provision	23,434	-	58,503	-
Other expenses	37,109	5,498	164,420	2,458
Transaction expenses	-	67,504	-	3,507,136
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 5,262,781</b>	<b>\$ 1,545,474</b>	<b>\$ 19,648,738</b>	<b>\$ 30,431,070</b>

### For the quarter ended July 31, 2019:

The Company recorded a net loss of \$5,262,781 for the quarter ended July 31, 2019 (Q4-2018: \$1,545,474).

Exploration and evaluation expenses are detailed in the Exploration Activities section of this report above.

Upon acquisition of 100% of the Troilus project in April 2018, the Company recognized a reclamation provision from previous activity at the Troilus site based on an estimate of anticipated future costs for reclamation. As costs are incurred, they are applied against the reclamation liability. The liability is updated regularly for changes in estimate and changes in discount and inflation rates. As a result, \$265,280 was recorded as reclamation estimate to the statement of operations for the quarter ended July 31, 2019 with respect to the change in estimate. An increase in the inflation rate and a decrease in the discount rate primarily contributed to this increase. For the quarter ended July 31, 2018, the Company recorded a credit of \$35,795. The discounting is accreted over time, and \$23,434 has been recorded as accretion to the statement of operations for the quarter ended July 31, 2019 (Q4-2018: \$nil).



General and administrative expenses are detailed below:

	Quarters ended	
	July 31,	
	2019	2018
General and administrative expenses :		
Salaries, payroll costs and consultants	\$ 531,723	\$ 520,588
Professional costs	65,372	91,081
Shareholder communications	140,350	269,363
Office and general	107,297	81,949
Travel	15,015	24,840
Mining claim costs, non-core properties	5,250	-
Depreciation	2,738	1,042
	\$ 867,745	\$ 988,863

Shareholder communications includes regulatory costs, as well as investor relations programs. The decrease for Q4-2019 compared to Q4-2018 resulted from costs from a particular program during 2018 that was not continued for 2019.

Office and general costs are higher during Q4-2019 compared to Q4-2018 due the Company's head office move and initial setup costs associated with a new office.

Share-based payments for Q4-2019 results from the grant of 1,237,356 RSUs to directors, officers and employees of the Company valued at \$965,138. The credit during Q4-2018 results from an adjustment to the valuations of stock options granted during 2018.

The Company earned interest income of \$52,000 during the quarter ended July 31, 2019 compared to \$64,163 during the quarter ended July 31, 2018. The Company has invested excess cash in highly liquid, high-interest savings accounts resulting in this interest income. The Company's cash balances were lower during Q4-2019 compared to Q4-2018 resulting in lower interest income.

As a result of the Company's flow-through financings in June 2018, the Company recorded a flow-through liability on the statement of financial position representing the premium on the share issuances. As the Company incurs eligible expenditures against this liability, the Company reduces the liability and records this as flow-through share premium recovery on the statement of operations. During the quarter ended July 31, 2019, the liability was reduced by \$1,187,139 (Q4-2018: \$799,683). The Company has met its flow-through exploration expenditure commitment for this financing.

Other expenses recorded for Q4-2019 include \$3,805 in Part XII.6 tax accrued on the Company's flow-through expenditure commitment, as well as \$24,831 related to the fee charged by the insurer of the reclamation bond.

For the year ended July 31, 2019:

The Company recorded a net loss of \$19,648,738 for the year ended July 31, 2019 (2018: \$30,431,070). Prior to the close of the acquisition in December 2017, the Company's results of operations were those of 250 (see page 14, The Transaction), a former subsidiary of Sulliden Mining Capital Inc. ("Sulliden").

Exploration and evaluation expenses are detailed in the Exploration Activities section of this report above.

Upon acquisition of 100% of the Troilus project in April 2018, the Company recognized a reclamation provision from previous activity at the Troilus site based on an estimate of anticipated future costs for reclamation. As costs are incurred, they are applied against the reclamation liability. The liability is updated regularly for changes in estimate and changes in discount and inflation rates. As a result, \$351,660 was recorded as reclamation estimate to the statement of operations for the year ended July 31, 2019 with respect to the change in estimate (2018: \$3,500,653). The discounting is accreted over time, and \$58,503 has been recorded as accretion to the statement of operations for the year ended July 31, 2019 (2018: \$nil).

General and administrative expenses are detailed below:

	Years ended July 31,	
	2019	2018
General and administrative expenses :		
Salaries, payroll costs and consultants	\$ 2,957,487	\$ 2,506,082
Professional costs	224,831	210,224
Shareholder communications	1,094,907	899,772
Office and general	857,238	187,748
Travel	51,824	43,611
Mining claim costs, non-core properties	14,700	18,734
Depreciation	6,015	1,693
	<u>\$ 5,207,002</u>	<u>\$ 3,867,864</u>

Salaries, payroll costs and consultants for the year ended July 31, 2019 included regular salaries for the full period, a contractual termination payment as well as bonuses granted. During the year ended July 31, 2018, salary costs were recognized after the transaction was completed and a large portion of this cost is bonuses paid on completion of the transaction.

Shareholder communications includes regulatory costs, as well as investor relations programs. Costs during the year ended July 31, 2019 are higher overall as a result of increased activity, since there was little activity prior to and shortly after the close of the transaction during December 2017. During the year ended July 31, 2019, the Company incurred costs related to its graduation to the TSX, as well as shareholder events and conferences.

Office and general costs are higher during 2019 compared to 2018 due to the increase in activity. Little costs were incurred prior to the close of the transaction in December 2017 whereas a full year of costs

were incurred during the year ended July 31, 2019. During the year ended July 31, 2019, the Company terminated a contract resulting in termination fees.

The Company granted 660,000 stock options to directors, officers, employees and consultants of the Company during the year ended July 31, 2019 recognizing an expense of \$594,000 for the year ended July 31, 2019. As well, the Company granted 1,237,356 RSUs to directors, offices and employees of the Company recognizing an expense of \$965,138. During the year ended July 31, 2018, 4,005,000 stock options were granted, resulting in an expense of \$3,153,240.

The Company earned interest income of \$230,918 during the year ended July 31, 2019 compared to \$145,647 during the year ended July 31, 2018. The Company has invested excess cash in highly liquid, high-interest savings accounts resulting in this interest income. Interest during the current period reflects higher cash balances held during the respective periods.

As a result of the Company's flow-through financings in June 2018, the Company recorded a flow-through liability on the statement of financial position representing the premium on the share issuances. As the Company incurs eligible expenditures against this liability, the Company reduces the liability and records this as flow-through share premium recovery on the statement of operations. During the year ended July 31, 2019, the liability was reduced by \$4,117,630 (2018: \$799,683).

Other expenses include interest on equipment financing, part XII.6 tax on the Company's flow-through expenditure commitment and the amortization of the reclamation bond fee.

#### SUMMARY OF QUARTERLY RESULTS

	July 31, 2019 Q4-2019	April 30, 2019 Q3-2019	January 31, 2019 Q2-2019	October 31, 2018 Q1-2019
Interest income	\$ 52,000	\$ 40,991	\$ 60,685	\$ 77,242
Net loss and comprehensive loss	(5,262,781)	(4,572,903)	(6,140,800)	(3,672,254)
Basic and diluted net loss per share	(0.10)	(\$0.09)	(\$0.12)	(\$0.08)
Total assets	13,127,071	12,793,315	17,889,504	22,725,908
	July 31, 2018 Q4-2018	April 30, 2018 Q3-2018	January 31, 2018 Q2-2018	October 31, 2017 Q1-2018
Interest income	\$ 64,163	\$ 67,128	\$ 14,356	\$ -
Net loss and comprehensive loss	(1,545,474)	(7,536,469)	(21,238,837)	(110,290)
Basic and diluted net loss per share	(\$0.03)	(\$0.21)	(\$0.67)	(\$0.07)
Total assets	27,698,332	16,752,393	18,226,982	-

As a result of the reverse acquisition, comparative figures are those of 250 prior to the reverse acquisition (see "The Transaction" on page 14 for details of the acquisition).

Prior to the reverse acquisition, 250 was a subsidiary of Sulliden. 250 did not have a bank account, and Sulliden funded their project expenditures. As a result, the Company did not record assets until Q2-2018, where the Company completed a private placement financing, and completed the reverse acquisition. Total assets decreased in Q3-2018 as a result of cash expenditures on exploration properties, which are expensed to the statement of operations. Total assets increased significantly in Q4-2018 as a result of the flow-through financings. Total assets have continued to decrease during 2019 as a result of cash expenditures on exploration properties. The Company completed a bought-deal financing during Q4-2019 resulting in an increase to total assets.

The loss recorded during Q2-2018 includes an option acquisition expense related to the acquisition of 251 and a listing transaction expense, which represents the net assets of Pitchblack acquired less consideration provided. As well, the Company issued stock options during Q2-2018 generating a non-cash stock-based compensation expense of \$4,791,023. The loss in Q3-2018 includes exploration costs as the Company commenced its drill program during this period. As well, the Company recorded a reclamation expense estimate of \$3,536,448 during Q3-2018. This quarter also includes a full quarter of corporate costs. Net loss during Q4-2018 includes a flow-through share premium recovery of \$799,683, an adjustment to stock-based compensation expense, and a reduction of \$1,044,979 to exploration and evaluation expenditures as a result of the tax credit receivable recorded during the quarter. Net loss during Q1-2019 includes drilling and assaying costs as the Company completed its 2018 drill program as well as \$594,000 in stock-based compensation expense, offset by a flow-through share premium recovery of \$877,938. During Q2-2019, costs increased by approximately \$2,500,000 from Q1-2019 as a result of the acquisition of the Troilus North property from Emgold. Costs in Q3- and Q4-2019 include the 2019 drill program costs.

## **LIQUIDITY AND CAPITAL RESOURCES**

Given the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company currently has a negative operating cash flow and finances its mineral exploration through equity financings. The Company's financial success will be dependent on the economic viability of its mineral exploration and development properties and the extent to which it can establish economic mineral reserves and operations.

The Company had working capital (see Non-IFRS Measures) of \$6,813,681 as at July 31, 2019 (2018 – \$19,641,298) including cash and cash equivalents of \$6,337,689 (2018 - \$20,236,630).

The Company completed a private placement financing in November 2017, raising \$21,425,785 net of issue costs. In June 2018, the Company raised \$14,578,335 net of issue costs from a bought-deal private placement financing through the issuance of flow-through shares. In May 2019, the Company completed a bought deal prospectus offering raising \$6,016,862 net of issue costs. See Subsequent Events.

During the previous year, the Company entered into an equipment financing arrangement to acquire the camp facility. Monthly payments of \$18,815 are required over a 24-month period with a buyout option at the end of the term. During the year ended July 31, 2019, the Company entered into a vehicle lease whereby monthly payments of \$2,813 are required over a 24-month period with an option to buy the vehicle for \$15,150 at the end of the term. The Company entered into an equipment financing lease to acquire an electrical substation with monthly payments of \$23,000 over a 24-month period. And the Company entered into an equipment financing lease to acquire a group of assets associated with the

garage with monthly payments of \$7,000 over a period of one year. The total equipment financing liability as at July 31, 2019 is \$547,193, of which \$532,133 is current.

The Company's operating lease commitments include:

Operating lease commitments	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Head office lease	\$ 1,269,655	\$ 244,918	\$ 509,692	\$ 515,045	\$ -
Site office leases	113,905	100,905	13,000	-	-
Vehicle and equipment leases	616,949	175,776	275,296	165,877	-

The Company has reclamation and water treatment obligations at the Troilus Gold property from historical mining activities. The Company has recorded a total obligation of \$3,672,395 as at July 31, 2019, of which \$91,654 has been recognized as current. This estimate assumes that future mining operations will not resume and as management continues its exploration program and works towards a future mining scenario, the reclamation provision will be adjusted accordingly.

The Company had placed a reclamation security deposit with the Government of Quebec totaling \$3,972,976 upon the exercise of the option to acquire the Troilus project. During Q3-2019, the Company withdrew its security deposit in exchange for an underwritten bond from an insurance company. To purchase this insurance, the Company paid a deposit of \$1,589,190 to the insurance company and pays an annual fee of 2.5% of the insured amount. The net impact of this transaction was a cash injection of \$2,383,786 during Q3-2019.

## CASH FLOWS

Cash used in operating activities during the year ended July 31, 2019 was \$20,713,055 compared to \$11,253,814 for the year ended July 31, 2018. The Company used \$19,488,375 on exploration and evaluation expenses and administrative expenses as described earlier in this report during the year ended July 31, 2019 (2018: \$9,876,326). Non-cash working capital used \$1,224,680 during the year ended July 31, 2019 (2018: \$1,377,488). The net change in non-cash working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) account is a use of funds.

Cash provided by financing activities during the year ended July 31, 2019 was \$5,547,752 compared to \$35,919,091 during the year ended July 31, 2018. The Company raised \$7,000,600 from a bought deal prospectus offering during 2019, with issue costs of \$983,738. During 2018, the Company raised \$38,766,416 from two separate financings, with issue costs of \$2,762,295. During 2019, the Company raised \$40,000 from the exercise of stock options (2018: \$nil). And during 2019, the Company paid \$509,110 in equipment financing payments (2018: \$85,030).

Cash provided by investing activities during the year ended July 31, 2019 was \$1,266,362 (2018: use of \$4,428,647). The Company paid \$1,067,424 in property and equipment expenditures during the year ended July 31, 2019 (2018: \$593,979). This included work on a designated core shack and other infrastructure. During the year ended July 31, 2019, the Company paid a deposit of \$50,000 to the Quebec government as security against current and future estimated reclamation obligations on the landfill site

and received \$2,383,786 by withdrawing its reclamation security deposit with the Quebec government and posting an underwritten bond with an insurance company. During the year ended July 31, 2018, the Company originally paid the security deposit of \$3,972,976 to the Quebec government related to reclamation liabilities upon exercising the Troilus option. During the year ended July 31, 2018, the Company acquired \$138,308 in cash from the reverse acquisition.

## **THE TRANSACTION**

On December 20, 2017, the Company closed a transaction whereby it acquired an option to acquire a 100% interest in a past-producing gold mine located northeast of the Val-d'Or mining district, within the Frotêt-Evans Greenstone Belt in Quebec, Canada ("the Troilus project") through a reverse acquisition. The Company changed its name from Pitchblack Resources Ltd. ("Pitchblack") to Troilus Gold Corp. upon closing of this transaction.

The option to acquire the Troilus project was held by 2507868 Ontario Inc. ("250") and 2513924 Ontario Inc. ("251"). On December 20, 2017, 250, 251 and a newly incorporated subsidiary of Pitchblack amalgamated, and the Company acquired 100% of the shares of the amalgamated entity. Management determined that this transaction constituted a reverse acquisition in accordance the policies of the TSX Venture Exchange whereby the net assets of the Company are deemed to have been acquired by 250. The Company has adopted the fiscal year end of 250, which is July 31, and comparative figures are those of 250 prior to the reverse acquisition.

In May 2016, 250 had entered into an option agreement with First Quantum to acquire the Troilus project. To exercise the option, a minimum of \$1,000,000 was to be spent on engineering and technical studies. The Company met this expenditure commitment. Option payments of \$100,000 were paid in each of May 2016, May 2017 and February 2018. The Company formally exercised the option in April 2018 and owns 100% of the Troilus project. The Company and First Quantum entered into a liabilities assignment agreement and a royalty agreement whereby a variable Net Smelter Royalty of 1.5% or 2.5% depending on the gold price being more or less than US\$1,250/ounce during the reference period has been granted to First Quantum.

The Company's focus is on mineral expansion and a potential restart of the former gold and copper Troilus mine. The acquisition of the Troilus project included all infrastructure, including power lines, camp buildings, permitted tailings pond and associated water treatment facilities.

The Company, formerly called Pitchblack, acquired an entity resulting from the amalgamation of 250, 251 and a newly created subsidiary of Pitchblack. On closing, this entity became a 100% subsidiary of the Company and became known as TLG Project Inc. 250 was a subsidiary of Sulliden. 250 held the option to acquire a 100% interest in the Troilus project, and had granted 251 an irrevocable and exclusive option to acquire a 40% undivided interest in the Troilus project. Upon closing of the reverse acquisition, the Company issued 10,000,000 shares to the shareholders of 251 and 15,000,000 to Sulliden as consideration for their respective interest in the Troilus project. Upon amalgamation of these companies, the Company acquired a 100% interest in the option to acquire the Troilus project. In February 2018, the Company and TLG Project Inc. amalgamated, and with the exercise of the option, the Company owns 100% of the Troilus project directly.

250 had completed a private placement financing in November 2017 issuing 14,030,000 subscription receipts, with each subscription receipt entitling the holder to receive one common share of 250 and one

common share purchase warrant. The subscription was priced at \$1.64 per subscription, and total gross proceeds raised was \$23,009,200. For accounting purposes, 250 was treated as the accounting parent company (legal subsidiary), 251 was treated as a subsidiary, and the Company was treated as the accounting subsidiary (legal parent) in the condensed interim consolidated financial statements. As 250 was deemed to be the acquirer for accounting purposes, the consolidated financial statements include the results of operations of the Company and 251 from the date of the transaction, December 20, 2017 and the results of 250 since inception. As Pitchblack and 251 did not qualify as businesses according to the definition in IFRS 3 Business Combinations, this reverse acquisition does not constitute a business combination. It was accounted for in accordance with IFRS 2 Share-based Payments, such that 250 is deemed to have issued shares in exchange for the net assets of Pitchblack and 251 together with Pitchblack's TSX-V listing status.

## NON-IFRS MEASURES

The Company has referred to working capital throughout this document. Working capital is a Non-IFRS performance measure. In the gold mining industry, it is a common Non-IFRS performance measure but does not have a standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following tables provide a reconciliation of working capital to the financial statements as at July 31, 2019 and 2018.

	July 31, 2019	July 31, 2018
Current assets:		
Cash and cash equivalents	\$ 6,337,689	\$ 20,236,630
Tax credit receivable	832,164	1,044,979
Amounts receivable	1,275,635	951,203
Prepaid expenses	492,418	464,219
	<u>\$ 8,937,906</u>	<u>\$ 22,697,031</u>
Current liabilities:		
Accounts payable and accrued liabilities	1,500,438	2,585,302
Current portion of equipment financing arrangements	532,133	211,431
Current portion of reclamation provision	91,654	259,000
	<u>\$ 2,124,225</u>	<u>\$ 3,055,733</u>
Working capital/(deficiency), current assets less current liabilities	\$ 6,813,681	\$ 19,641,298

## CAPITAL RISK MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended July 31, 2019 and 2018.

## COMMITMENT AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$1,900,000 and additional contingent payments of approximately \$7,570,000 upon the occurrence of a change of control. As a triggering effect for a change of control has not taken place, the contingent payments have not been reflected in these annual financial statements.

The Company's equipment financing arrangements and operating lease commitments are outlined in the table below:

Liability	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Equipment financing arrangements	547,193	532,133	15,060	-	-
		Payments due by period			
Operating lease commitments	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Head office lease	\$ 1,269,655	\$ 244,918	\$ 509,692	\$ 515,045	\$ -
Site office leases	113,905	100,905	13,000	-	-
Vehicle and equipment leases	616,949	175,776	275,296	165,877	-

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

As a result of the Company's flow-through financings in June 2018, the Company was committed to incurring \$15,757,216 in qualifying resource expenditures. The Company filed its renunciation forms in early 2019. As at July 31, 2019, the Company had met its expenditure commitment.

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.



## RELATED PARTY DISCLOSURES

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

### *Related party balances*

The Company had shared office space, resources and certain services with other companies up until its move to a new head office in March 2019. The costs associated with these services were administered by 2227929 Ontario Inc. to whom the Company paid a monthly flat fee. The Company terminated its agreement with 2227929 Ontario Inc. during the year ended July 31, 2019. 2227929 Ontario Inc. does not have any officers or directors in common with the Company; however, 2227929 was an insider of the Company for part of the period by virtue of holding over 10% of the Company's issued and outstanding shares. 2227929's current holdings dropped to below 10% during the second quarter of 2019.

Sulliden was the former shareholder of 250 and funded 250's operations prior to the closing of the transaction. The Company's CEO, Mr. Justin Reid, the Company's President, Mr. Paul Pint and the Company's former Executive Director, Mr. Peter Tagliamonte, are former officers of Sulliden, having resigned subsequent to the closing of the transaction. Mr. Pierre Pettigrew, a director of the Company, is also a director of Sulliden. Mr. Bruce Humphrey, a recently appointed director of the Company, was also a member of the board of directors of Sulliden, having resigned from Sulliden's board of directors before his appointment to the Company's board. As at July 31, 2019, Sulliden held less than 10% of the Company's issued and outstanding shares.

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

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

	Quarters ended July 31,		Years ended July 31,	
	2019	2018	2019	2018
Management salaries and fees	\$ 452,500	\$ 461,300	\$ 2,331,400	\$ 1,387,690
Directors fees	25,000	18,750	176,875	118,750
Share-based payments	756,590	- 535,534	1,314,590	2,131,783
	<u>\$ 1,234,090</u>	<u>\$ - 55,484</u>	<u>\$ 3,822,865</u>	<u>3,638,223</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.

Approximately \$20,000 is payable to directors and officers of the Company as at July 31, 2019 (2018: \$nil). This amount is unsecured, non-interest bearing with no fixed terms of repayment.

## 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
<b>As at July 31, 2019</b>				
Cash and cash equivalents	\$ 5,539,544	\$ 798,145	\$ -	\$ 6,337,689
Amounts receivable	186,582	-	-	186,582
Reclamation deposit	1,639,190	-	-	1,639,190
Accounts payable and accrued liabilities	-	-	1,500,438	1,500,438
Equipment financing arrangements	-	-	547,193	547,193

	Assets at amortized cost	Assets at fair value through profit or loss	Liabilities at amortized cost	Total
<b>As at July 31, 2018</b>				
Cash and cash equivalents	\$ 2,167,354	\$ 18,069,276	\$ -	\$ 20,236,630
Reclamation deposit	3,972,976	-	-	3,972,976
Accounts payable and accrued liabilities	-	-	2,585,302	2,585,302
Equipment financing arrangements	-	-	383,006	383,006

The carrying value of cash, amounts receivable, reclamation deposit and accounts payable and accrued liabilities approximate fair value due to the short-term nature of the financial instruments. The carrying value of the equipment financing arrangements approximate fair value due to the short-term nature of the majority of these financial instruments.

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

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

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

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

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at July 31, 2019:

	Level 1	Level 2	Level 3	TOTAL
<b>As at July 31, 2019</b>				
Cash equivalents	798,145	-	-	798,145
<b>As at July 31, 2018</b>				
Cash equivalents	18,069,276	-	-	18,069,276

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

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the years ended July 31, 2019 and 2018.

#### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of 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, 2019, the Company had current assets of \$8,937,906 (2018: \$22,697,031) to settle current liabilities of \$2,124,225 (2018: \$3,055,733). Approximately \$1,330,000 of the Company's financial liabilities as at July 31, 2019 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	\$ 1,500,438	\$ 1,500,438	\$ -	\$ -	\$ -
Equipment financing arrangements	547,193	532,133	15,060	-	-
Reclamation provision	3,672,395	91,654	384,356	418,428	2,777,957

#### Market risk - Interest rate risk

The Company's cash equivalents are subject to interest rate cash flow risk as they carry variable rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. Based on cash and cash equivalent

balances on hand at July 31, 2019, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$6,000.

## **SUBSEQUENT EVENTS**

In September 2019, the Company welcomed Mr. Jaime Horvat to its board of directors. Mr. Horvat is a Senior Executive who has a highly successful twenty-year career in asset management with extensive experience within the North American and Global marketplace. Mr. Horvat brings extensive capital markets expertise including financial analysis, capital budgeting, stakeholder engagement, as well as environmental, social and governance acumen.

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 will 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 funds managed by Sprott Asset Management LP, Goodman & Company Investment Counsel Inc. and Middlefield Group, each 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 will use the proceeds to incur eligible exploration expenditures and renounce the qualifying expenditures with an effective date no later than December 31, 2019. The flow-through shares are subject to a hold period of four months. In connection with this offering, the Company paid a finder's fee in respect of certain subscriptions, as well as a financial advisory fee paid to GMP Securities L.P., Cormark Securities Inc., Canaccord Genuity Corp. and Haywood Securities Inc. equal to an aggregate of 1.5% of the gross proceeds.

## **OUTSTANDING SHARE DATA**

Number of:	<b>As at July 31, 2019</b>	<b>As at October 17, 2019</b>
Common Shares	62,060,578	69,097,478
Options	250,000	250,000
Warrants	14,030,000	14,030,000

## **RISKS AND UNCERTAINTIES**

### Nature of Mining, Mineral Exploration and Development Projects

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration and development, including environmental hazards, explosions, and unusual or unexpected geological formations or pressures. Such risks could

result in damage to, or destruction of, mineral properties, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

#### Liquidity Concerns and Future Financings

The Company will require capital and operating expenditures in connection with the exploration and development of its properties and for working capital purposes. There can be no assurance that the Company will be successful in obtaining the required financing as and when needed. The only sources of future funds presently available to Troilus are the sale of equity capital, the sale of existing investments (which may be illiquid), or offering an interest in its properties. There is no assurance that any funds will be available for operations. Failure to obtain additional financing on a timely basis could cause the Company to reduce, delay or terminate its proposed operations, with the possible loss of such operations and assets.

Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on acceptable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

#### Calculation of Mineral Resources

There is a degree of uncertainty attributable to the calculation and estimates of resources and the corresponding metal grades to be mined and recovered. Until resources are actually mined and processed, the quantities of mineralization and metal grades must be considered as estimates only. Any material change in the quantity of mineral resources, grades and recoveries may affect the economic viability of the Company's operations.

#### No Mineral Reserves have been estimated at the Troilus Project

The Troilus Project is in the exploration stage and sufficient work has not been done to define a mineral reserve. There is no assurance given by the Company that continuing work on the property will lead to defining the mineralization with enough confidence and in sufficient quantities to report it as a mineral reserve.

#### Environmental, Health and Safety Risks

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Furthermore, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Exploration and mining operations involve risks of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. Significant risk of environmental contamination from present and past exploration or mining activities still exists for mining companies. The Troilus Project is a past producing mine subject to significant continuing reclamation liabilities and obligations. Troilus may be liable for environmental contamination and natural resource

damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at the Troilus Project do not exist or that the Company will not be alleged to be responsible for historical liabilities at the Troilus Project.

#### Decommissioning and Reclamation

Environmental regulators are increasingly requiring financial assurances to ensure that the cost of decommissioning and reclaiming sites is borne by the parties involved, and not by government. It is not possible to predict what level of decommissioning and reclamation (and financial assurances relating thereto) may be required in the future by regulators.

#### Insurance

The Company's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of: the Company's mineral properties or future processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of their exploration or development activities, delay in or inability to receive regulatory approvals to transport their products, or costs, monetary losses and potential legal liability and adverse governmental action. Troilus may be subject to liability or sustain loss for certain risks and hazards against which they do not or cannot insure or which it may reasonably elect not to insure. This lack of insurance coverage could result in material economic harm to Troilus.

#### Metal Prices

Precious metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, national fiscal policies, monetary systems and political developments. The price of gold and silver has fluctuated widely in recent years. Future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations. Moreover, the ability of the Company to fund its activities and the valuation of investor companies will depend significantly upon the market price of precious metals.

#### Competition

The Company competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or obtain the capital necessary to fund the Company's operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operations and business.

### Properties May be Subject to Defects in Title

The Company has investigated its rights to exploit the Troilus Project and, to the best of its knowledge, its rights are in good standing. However, no assurance can be given that such rights will not be revoked, or significantly altered, to its detriment. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties, including aboriginal communities.

Some of the Company's mineral claims may overlap with other mineral claims owned by third parties which may be considered senior in title to the Company mineral claims. The junior claim is only invalid in the areas where it overlaps a senior claim. The Company has not determined which, if any, of the Company mineral claims is junior to a mineral claim held by a third party.

Although the Company is not aware of any existing title uncertainties with respect to the Troilus Project, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### Limited Property Portfolio

At this time, the Company holds an interest in the Troilus Gold property. As a result, unless the Company acquires additional property interests, any adverse developments affecting this property could have a material adverse effect upon the Company and would materially and adversely affect the potential future mineral resource production, profitability, financial performance and results of operations of the Company.

### Property Commitments

The Company's mining properties may be subject to various land payments, royalties and/or work commitments. Failure by the Company to meet its payment obligations or otherwise fulfill its commitments under these agreements could result in the loss of related property interests.

### Licences and Permits, Laws and Regulations

The Company's exploration and development activities (and those of investee companies) require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, exploration, development, production, transportation, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time-consuming and costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. The Company will be required to obtain additional licences and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties (or that its investee companies would also succeed).

### Community Relations and License to Operate

The Company's relationship with the local communities and First Nations where it operates is critical to ensure the future success of its existing activities and the potential development and operation of its

Troilus Project. Failure by the Company to maintain good relations with local communities and First Nations can result in adverse claims and difficulties for the Company. There is also an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. NGOs and civil society groups, some of which oppose resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances and the handling, transportation and storage of various waste, including hazardous waste. Adverse publicity generated by such NGOs and civil society groups or others related to the extractive industries generally, or the Company's operations specifically, could have a material adverse impact on the Company and its reputation. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, which could have a material adverse impact on the Company's business, results of operations and financial condition.

#### Key Personnel

The senior officers of the Company will be critical to its success. Recruiting qualified personnel as the Company grows is critical to its success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition, particularly in Quebec, for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative, regulatory and mining personnel as well as additional operations staff. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on future cash flows, earnings, results of operations and the financial condition of the Company.

#### Dependence on Outside Parties

The Company has relied upon consultants, geologists, engineers and others and intends to rely on these parties for exploration and development expertise. Substantial expenditures are required to construct mines, to establish mineral resources and reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract metal from ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

#### Share Price Fluctuations

The market price of securities of many companies, particularly junior stage mining companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

#### Conflicts of Interest

Directors and officers of the Company are or may become directors or officers of other reporting companies or have significant shareholdings in other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Company and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company,



a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which one or more directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

#### Current Global Financial Condition

The Company will be required to raise additional funds in the future for the development of its projects and other activities through the issuance of additional equity or debt. Current financial and economic conditions globally have been subject to increased uncertainties. Access to financing has been negatively affected by these economic uncertainties. These factors may affect the ability of the Company to obtain equity and/or debt financing in the future and, if obtained, influence the terms available to the Company. If these increased levels of volatility and market turmoil continue, the Company may not be able to secure appropriate debt or equity financing. If additional capital is raised by the issuance of shares from the treasury of the Company, shareholders may suffer dilution. Future borrowings by the Company or its subsidiaries may increase the level of financial and interest rate risk to the Company as the Company will be required to service future indebtedness.

#### No Revenues

To date, the Company has not recorded any revenues from operations nor has the Company commenced production on any property. There can be no assurance that the Company will always have sufficient capital resources to continue as a going concern, or that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's expenses and capital expenditures will increase as consultants, personnel and equipment associated with the exploration and possible development of its properties are advanced. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will continue to require the commitment of substantial resources. There can be no assurance that the Company will continue as a going concern, generate any revenues or achieve profitability.

#### Public Company and other Regulatory Obligations

The Company is subject to evolving corporate governance and public disclosure regulations that have increased both the Company's compliance costs and the risk of non-compliance, which could adversely affect the Company's share price.

The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, applicable stock exchange(s), and the International Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity creating many new requirements. For example, the Canadian government proclaimed into force the *Extractive Sector Transparency Measures Act* on June 1, 2015, which mandates the public disclosure of payments made by mining companies to all levels of domestic and foreign governments. The Company's efforts to comply with increasing regulatory burden could result in

increased general and administration expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

#### Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate disclosure controls and internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's internal controls over financial reporting and disclosure controls and procedures as at July 31, 2019. In making this evaluation, management used the criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as at July 31, 2019, the Company's internal controls over financial reporting and disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods. There was no change in the Company's internal controls over financial reporting that occurred during the year ended July 31, 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Troilus's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that its internal controls over financial reporting and disclosure controls and procedures will prevent or detect all errors and frauds. A cost-effective system of internal controls, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

### **SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies can be found in Note 3 of its audited annual consolidated financial statements for the year end July 31, 2019.

#### New accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has adopted this standard effective August 1, 2018 and there was no material impact from the adoption of this standard. The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended July 31, 2018 was accounted for in accordance with the Company’s previous accounting policy under IAS 39.

#### Future accounting policies

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The Company intends to adopt this policy effective August 1, 2019 and intends to use the modified retrospective approach. Based on lease data as at July 31, 2019, it is anticipated that approximately \$1.16 million will be recognized as right-of-

use assets, approximately \$1.18 million will be recognized as lease liabilities (both current and long-term) and the difference will be recognized as an adjustment to deficit.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company’s Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and impact estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation and the valuation of income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

October 17, 2019