



# TROILUS

TROILUS GOLD CORP.

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS

For the three months ended  
October 31, 2018 and 2017

*(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, 2018	July 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 14,627,867	\$ 20,236,630
Tax credit receivable		1,044,979	1,044,979
Amounts receivable	6	892,824	951,203
Prepaid expenses		297,343	464,219
<b>Total current assets</b>		<b>16,863,013</b>	<b>22,697,031</b>
Reclamation deposit	7	3,972,976	3,972,976
Property and equipment	8	1,889,919	1,028,325
<b>TOTAL ASSETS</b>		<b>\$ 22,725,908</b>	<b>\$ 27,698,332</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,116,477	\$ 2,585,302
Current portion of equipment financing arrangement	9	502,671	211,431
Current portion of reclamation provision	7	202,000	259,000
<b>Total current liabilities</b>		<b>1,821,148</b>	<b>3,055,733</b>
Long-term portion of equipment financing arrangement	9	358,646	171,575
Flow-through share premium liability	10	3,239,692	4,117,630
Reclamation provision	7	3,213,643	3,182,361
<b>Total liabilities</b>		<b>8,633,129</b>	<b>10,527,299</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		38,325,859	38,325,859
Share purchase warrant reserve	11	6,764,206	6,764,206
Share-based payment reserve	12	3,925,632	3,331,632
Accumulated deficit		(34,922,918)	(31,250,664)
<b>Total shareholders' equity</b>		<b>14,092,779</b>	<b>17,171,033</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 22,725,908</b>	<b>\$ 27,698,332</b>
Nature of operations	1		
Commitments and contingencies	18		
Subsequent event	19		
Approved on behalf of the Directors:			
<u>"Tom Olesinski"</u>		<u>"Justin Reid"</u>	
Director		Director	

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

		Three months ended October 31,	
		2018	2017
<b>Expenses</b>	Note		
Exploration and evaluation expenses	14	\$ 2,863,922	\$ 87,180
Reclamation estimate	7	28,320	-
General and administrative expenses	15	1,113,982	23,110
Stock-based compensation	12	594,000	-
<b>Total expenses before other items</b>		<b>4,600,224</b>	<b>110,290</b>
<b>Other (income)/expenses</b>			
Interest income		(77,242)	-
Flow-through share premium	10	(877,938)	-
Accretion of reclamation provision	7	3,773	-
Other gains and losses		23,437	-
<b>Net comprehensive loss for the period</b>		<b>\$ 3,672,254</b>	<b>\$ 110,290</b>
<b>Net loss per share</b>			
Basic and diluted		\$ 0.08	\$ 0.01
<b>Weighted average common shares outstanding</b>			
Basic and diluted		48,737,222	15,000,000

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

		Three months ended October 31,	
	Note	2018	2017
<b>CASH FLOWS FROM:</b>			
<b>Operating activities</b>			
Net loss for the period		\$ (3,672,254)	\$ (110,290)
Items not involving cash			
Share-based payments	12	594,000	-
Depreciation		45,019	-
Flow-through share premium	10	(877,938)	-
Reclamation estimate adjustment	7	28,320	-
Reclamation costs incurred	7	(57,811)	-
Accretion of reclamation estimate	7	3,773	-
		<u>(3,936,891)</u>	<u>(110,290)</u>
Net change in non-cash working capital items:			
Amounts receivable and prepaid expenses		225,255	-
Accounts payable and accrued liabilities		<u>(1,468,825)</u>	<u>110,290</u>
		<u>(1,243,570)</u>	<u>110,290</u>
Cash flows used in operating activities		<u>(5,180,461)</u>	<u>-</u>
<b>Financing activities</b>			
Equipment lease payments	9	<u>(121,699)</u>	<u>-</u>
Cash flows from financing activities		<u>(121,699)</u>	<u>-</u>
<b>Investing activities</b>			
Property and equipment	8	(306,603)	-
Payment of reclamation deposit		-	-
Cash flows from investing activities		<u>(306,603)</u>	<u>-</u>
<b>Net change in cash and cash equivalents</b>		<b>(5,608,763)</b>	<b>-</b>
<b>Cash and cash equivalents, beginning of the period</b>		<b>20,236,630</b>	<b>-</b>
<b>Cash and cash equivalents, end of the period</b>		<b>\$ <u>14,627,867</u></b>	<b>\$ <u>-</u></b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>			
Cash		\$ 475,930	\$ -
Cash equivalents		14,151,937	-
		<u>\$ 14,627,867</u>	<u>\$ -</u>

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

**TROILUS GOLD CORP.****Condensed Interim Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian dollars)**

	Note	Number of Shares	Share Capital	Share purchase warrant reserve	Share- based payment reserve	Accumulated Deficit	Total Shareholders' equity
<b>Balance as at July 31, 2018</b>		48,737,222	\$ 38,325,859	\$ 6,764,206	\$ 3,331,632	\$ (31,250,664)	\$ 17,171,033
Share-based compensation	12	-	-	-	594,000	-	594,000
Net loss for the period		-	-	-	-	(3,672,254)	(3,672,254)
<b>Balance as at October 31, 2018</b>		<b>48,737,222</b>	<b>\$ 38,325,859</b>	<b>\$ 6,764,206</b>	<b>\$ 3,925,632</b>	<b>\$ (34,922,918)</b>	<b>\$ 14,092,779</b>
<b>Balance as at July 31, 2017</b>		15,000,000	\$ 1	\$ -	\$ -	\$ (819,594)	\$ (819,593)
Net loss for the period		-	-	-	-	(110,290)	(110,290)
<b>Balance as at October 31, 2017</b>		<b>15,000,000</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (929,884)</b>	<b>\$ (929,883)</b>

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

## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

*(Expressed in Canadian dollars)*

---

### **1. NATURE OF OPERATIONS**

Troilus Gold Corp. (the “Company”) was continued under the laws of Ontario, Canada. In December 2017, the Company closed a transaction whereby it acquired the option to acquire a 100% interest in a past-producing gold mine located approximately 450 km northeast of Val-d’Or, Quebec (the “Troilus project”) through a reverse acquisition. The Company changed its name from Pitchblack Resources Ltd. (“Pitchblack”) to Troilus Gold Corp. upon closing. In April 2018, the Company exercised the option to acquire the Troilus project. In December 2018, the Company acquired an additional 209 mineral claims, adjacent to the Troilus project, that covers approximately 11,300 hectares (See Note 19). Collectively, the two 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 65 Queen St. West, Suite 800, Toronto, Ontario, M5H 2M5. The Company’s shares traded on the TSX Venture Exchange (“TSX-V”) under the symbol “TLG” until its graduation to the Toronto Stock Exchange (“TSX”) on October 17, 2018. All dollar amounts are Canadian dollars unless otherwise noted.

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

In May 2016, 250 entered into an option agreement with First Quantum Minerals Ltd. (“First Quantum”) to acquire the Troilus project. Under the terms of the option agreement, a minimum of \$1,000,000 must be spent on engineering and technical studies, and \$300,000 in cash payments. Option payments of \$100,000 were paid in each of May 2016, May 2017 and January 2018, and the Company met its expenditure commitment. The Company exercised the option in April 2018. A variable Net Smelter Royalty of 1.5% (if the gold price is less than US\$1,250/ounce during the reference period) or 2.5% (if the gold price is more than US\$1,250/ounce during the reference period) has been granted to First Quantum. An additional 1% royalty on the Troilus project is held by another unrelated entity.

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

## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

*(Expressed in Canadian dollars)*

---

### **1. NATURE OF OPERATIONS (continued)**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These condensed interim consolidated financial statements of the Company for the three months ended October 31, 2018 were approved and authorized for issue by the Board of Directors on December 11, 2018.

### **2. BASIS OF PRESENTATION AND COMPLIANCE**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Account Standard ("IAS") 34, "Interim Financial Reporting". The policies set out in the Company's annual consolidated financial statements for the year ended July 31, 2018 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.

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

### **3. NEW AND FUTURE ACCOUNTING POLICIES**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning 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.



## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

*(Expressed in Canadian dollars)*

---

### **3. NEW AND FUTURE ACCOUNTING POLICIES (continued)**

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.

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

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

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim 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, 2018 and 2017

(Expressed in Canadian dollars)

---

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

#### Mineral resource estimates

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

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

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

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

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

#### Share-based payments

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

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

---

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

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

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

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

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

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

#### Contingencies

Refer to Note 18.

## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

*(Expressed in Canadian dollars)*

---

### **5. REVERSE ACQUISITION**

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

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

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

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

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

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

### 6. AMOUNTS RECEIVABLE

	October 31, 2018	July 31, 2018
Input tax credits receivable	\$ 670,155	\$ 944,905
Loan to Emgold (i)	202,192	-
Other miscellaneous receivables	20,477	6,298
	<u>\$ 892,824</u>	<u>\$ 951,203</u>

- (i) During the quarter ended October 31, 2018, the Company entered into a bridge loan with Emgold Mining Corporation ("Emgold") advancing \$200,000. The loan was interest-bearing at an annual rate of 10% calculated daily and payable at the maturity date. Subsequent to the end of the quarter, the Company advanced a further \$50,000. And upon the closing of a property acquisition with Emgold, this loan and accrued interest was forgiven. See Note 19.

### 7. RECLAMATION DEPOSIT AND PROVISION

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

After exercising the option to acquire the Troilus project, the Company recognized a provision for future estimated reclamation and water treatment costs of the former Troilus mine. As at October 31, 2019, the estimated future liability was adjusted to approximately \$3,700,000 (July 31, 2018: \$4,200,000), was discounted at a rate of 2.52% (July 31, 2018: 2.31%) and recorded as \$3,415,643, \$202,000 as a current liability and \$3,213,643 as a long-term liability (July 31, 2018: \$3,441,361, \$259,000 as a current liability and \$3,182,361 as a long-term liability). This estimate assumes that future mining operations would never resume and as management continues its exploration program, works towards a future mining scenario, and carries out reclamation work, the reclamation provision will be adjusted accordingly.

<b>Balance as at July 31, 2018</b>	<b>\$ 3,441,361</b>
Accretion of discount	3,773
Adjustments resulting from remeasurement	28,320
Incurred costs applied against liability	(57,811)
<b>Balance as at October 31, 2018</b>	<b>\$ 3,415,643</b>
Current portion of liability	202,000
Long-term portion of liability	3,213,643
	<u>3,415,643</u>

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

### 8. PROPERTY AND EQUIPMENT

	<u>Computer and office equipment</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Drilling camp</u>	<u>TOTAL</u>
<i>Cost</i>					
Balance, July 31, 2018	\$ 15,242	\$ -	\$ 87,350	\$ 959,423	\$ 1,062,015
Additions	5,675	75,750	60,972	764,216	906,613
<b>Balance, October 31, 2018</b>	<b>\$ 20,917</b>	<b>\$ 75,750</b>	<b>\$ 148,322</b>	<b>\$ 1,723,639</b>	<b>\$ 1,968,628</b>
<i>Depreciation</i>					
Balance, July 31, 2018	\$ (2,395)	\$ -	\$ (1,619)	\$ (29,676)	\$ (33,690)
Expense for the period	(1,999)	(1,453)	(2,813)	(38,754)	(45,019)
<b>Balance, October 31, 2018</b>	<b>\$ (4,394)</b>	<b>\$ (1,453)</b>	<b>\$ (4,432)</b>	<b>\$ (68,430)</b>	<b>\$ (78,709)</b>
Net book value, July 31, 2018	\$ 12,847	\$ -	\$ 85,731	\$ 929,747	\$ 1,028,325
<b>Net book value, October 31, 2018</b>	<b>\$ 16,523</b>	<b>\$ 74,297</b>	<b>\$ 143,890</b>	<b>\$ 1,655,209</b>	<b>\$ 1,889,919</b>

During the three months ended October 31, 2018, the Company entered into financing arrangements to acquire a vehicle and an electrical substation (Note 9). An amount of \$45,019 was expensed in depreciation within profit and loss for the three months ended October 31, 2018 (three months ended October 31, 2017: \$nil).

### 9. EQUIPMENT FINANCING ARRANGEMENTS

During the three months ended October 31, 2018, the Company entered into a financing arrangement to acquire a vehicle. The Company is required to make monthly payments of \$2,813 over a period of 24 months, with an option to buy the vehicle for \$15,150 at the end of the term. The implied interest rate in the agreement was 14.4%.

During the three months ended October 31, 2018, the Company entered into a financing arrangement to acquire an electrical substation. The Company is required to make monthly payments of \$23,000 over a period of 24 months. The terms of the arrangement did not stipulate an interest rate, and as a result, the Company estimated a borrowing rate of 10%, with a deemed value for the financed camp facility of \$524,260.

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

As at October 31, 2018, an amount of \$502,671 was recorded as the current portion of these obligations and \$358,646 was recorded as the long-term portion.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

### 10. FLOW-THROUGH SHARE PREMIUM LIABILITY

With respect to the Company's flow-through offering during the year ended July 31, 2018, the Company recorded a flow-through liability based on a calculated premium at an average of \$0.31 per dollar raised, calculated based on the excess issue price over the quoted market price at the date of issuance. As the Company incurs eligible expenditures against this liability, the Company reduces the liability at the same premium rate and records this as a flow-through premium recovery on the statement of operations. As at October 31, 2018, the liability was reduced to \$3,239,692, and a flow-through share premium of \$877,938 was recorded.

### 11. SHARE PURCHASE WARRANT RESERVE

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

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value (\$)	Weighted Average Remaining Contractual Life (years)
\$2.50	November 21, 2020	14,030,000	14,030,000	6,764,206	2.06
		14,030,000	14,030,000	6,764,206	2.06

No warrants were granted, exercised or cancelled during the three months ended October 31, 2018 and 2017.

### 12. SHARE-BASED PAYMENTS RESERVE

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants of the Company options to purchase shares of the Company. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed five years.

	Number of options	Weighted average exercise price	Value
<b>Balance as at July 31, 2018</b>	4,211,250	\$1.59	\$ 3,331,632
Granted	660,000	\$1.20	594,000
<b>Balance as at October 31, 2018</b>	4,871,250	\$1.54	\$ 3,925,632

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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

In September 2018, the Company granted 660,000 stock options to directors, officers, employees and consultants of the Company. The value of these options was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 2.26% and expected average life of five years. As a result, the Company recorded a stock-based compensation expense of \$594,000 to the consolidated statement of operations for the three months ended October 31, 2018 (three months ended October 31, 2017: \$nil).

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

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$ 0.40	November 7, 2021	112,500	112,500	3.02
\$ 1.20	April 20, 2022	93,750	93,750	3.47
\$ 1.64	January 3, 2023	3,900,000	3,900,000	4.18
\$ 2.20	January 22, 2023	5,000	5,000	4.23
\$ 1.25	June 22, 2023	100,000	100,000	4.64
\$ 1.20	September 14, 2023	660,000	660,000	4.87
	Total	4,871,250	4,871,250	4.24

### 13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at October 31, 2018 were classified as follows:

	Loans and receivables	Assets at fair value through profit or loss	Other financial liabilities	Total
<b>As at October 31, 2018</b>				
Cash and cash equivalents	\$ 475,930	\$ 14,151,937	\$ -	\$ 14,627,867
Amounts receivable	222,668	-	-	222,668
Reclamation deposit	3,972,976	-	-	3,972,976
Accounts payable and accrued liabilities	-	-	1,116,477	1,116,477
Equipment financing arrangements	-	-	861,317	861,317

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



## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

---

### 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, 2018:

	Level 1	Level 2	Level 3	TOTAL
<b>As at October 31, 2018</b>				
Cash equivalents	14,151,937	-	-	14,151,937

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, 2018 and 2017.

#### Credit risk

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

#### 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.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

### 13. FINANCIAL INSTRUMENTS (continued)

As at October 31, 2018, the Company had current assets of \$16,863,013 to settle current liabilities of \$1,562,348. Approximately \$663,000 of the Company's financial liabilities as at October 31, 2018 have contractual maturities of less than 30 days and are subject to normal trade terms.

Liability	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Accounts payable and accrued liabilities	\$ 1,116,477	\$ 1,116,477	\$ -	\$ -	\$ -
Equipment financing arrangements	861,317	502,671	358,646	-	-
Reclamation provision	3,415,643	202,000	573,479	531,429	2,108,735

#### 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 October 31, 2018, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$15,000.

### 14. EXPLORATION AND EVALUATION EXPENSES

	Three months ended	
	October 31,	
	2018	2017
Exploration and evaluation expenses:		
Drilling, assaying and geology	\$ 1,254,986	\$ -
Salaries, payroll costs and consultants	1,174,639	72,000
Site and camp costs	151,254	-
Support and other costs	131,558	-
Studies	94,191	1,696
Government and community relations	26,173	13,500
Travel	31,121	(236)
Costs to exercise the option	-	220
	\$ 2,863,922	\$ 87,180

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

---

### 15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended October 31,	
	2018	2017
General and administrative expenses :		
Salaries, payroll costs and consultants	\$ 520,257	\$ -
Professional costs	53,408	-
Shareholder communications	384,575	23,110
Office and general	73,460	-
Travel	37,263	-
Depreciation	45,019	-
	<u>\$ 1,113,982</u>	<u>\$ 23,110</u>

### 16. CAPITAL MANAGEMENT

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended October 31, 2018 and 2017.

## TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

---

### 17. RELATED PARTY DISCLOSURES

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

#### *Related party balances*

The Company shares office space, resources and certain services with other corporations that may have common directors and/or officers. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee of \$20,000, which commenced January 1, 2018. 2227929 Ontario Inc. does not have any officers or directors in common with the Company; however, 2227929 Ontario Inc. was an insider of the Company by virtue of holding over 10% of the Company's issued and outstanding shares. 2227929's holdings dropped to below 10% subsequent to the end of the quarter.

Sulliden Mining Capital Inc. ("Sulliden") was the former shareholder of 250 and funded 250's operations prior to the closing of the transaction to acquire the Troilus project. The Company's CEO, Mr. Justin Reid, the Company's President, Mr. Paul Pint and the Company's Executive Director, Mr. Peter Tagliamonte, are former officers of Sulliden, having resigned subsequent to the closing of the transaction. Mr. Pierre Pettigrew, a director of the Company, is also a director of Sulliden. Mr. Bruce Humphrey, appointed a director of the Company during the current quarter, 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. The Company is carrying a receivable of approximately \$11,000 from Sulliden for reimbursement of expenses.

Approximately \$31,000 is payable to directors and officers of the Company at October 31, 2018.

#### *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,	
	2018	2017
Management salaries and fees	\$ 409,300	\$ -
Directors fees	21,875	-
Share-based payments	558,000	-
	<u>\$ 989,175</u>	<u>\$ -</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.

## **TROILUS GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2018 and 2017

*(Expressed in Canadian dollars)*

---

### **18. COMMITMENTS AND CONTINGENCIES**

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$1,500,000 and additional contingent payments of approximately \$6,200,000 upon the occurrence of a change of control. As a triggering effect for a change of control has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company is obligated to make equipment financing payments over the next 24 months. See Note 9.

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 incur \$15,757,216 in qualifying resource expenditures. The Company will file its renunciation forms subsequent to December 31, 2018. As at October 31, 2018, the Company had incurred qualifying resource expenditures of \$5,375,828, and is committed to incur a balance of approximately \$10,400,000 before December 31, 2019.

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

### **19. SUBSEQUENT EVENT**

In December 2018, the Company closed a purchase and sale agreement with Emgold, pursuant to which the Company acquired the Troilus North Project. As consideration for this acquisition, the Company issued 3,750,000 of its common shares to Emgold and forgave a \$250,000 loan previously advanced to Emgold. As at the end of the current quarter, \$200,000 was advanced to Emgold, and subsequent to the end of the quarter, an additional \$50,000 was advanced. The shares issued are subject to a four-month statutory hold period.