



**P A S O F I N O   G O L D**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED JULY 31, 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of Pasofino Gold Ltd., (the "Company"), for the three months ended July 31, 2020 are the responsibility of the Company's management ("Management") and have been prepared by Management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these condensed consolidated interim financial statements in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for condensed consolidated interim financial statements.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

Pasofino Gold Limited  
Condensed Consolidated Interim Statements of Financial Position (unaudited)  
(Expressed in Canadian Dollars)

		As at July 31, 2020 \$	As at April 30, 2020 \$
	Notes		
<b>Assets</b>			
<b>Current assets</b>			
Cash		3,813,400	119,228
Taxes and other receivables		79,408	31,244
Prepaid expenses		40,008	1,279
Total Current Assets		3,932,816	151,751
Loan receivable	12	2,881,366	-
<b>Total Assets</b>		<b>6,814,182</b>	<b>151,751</b>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	534,529	197,535
<b>Total Liabilities</b>		<b>534,529</b>	<b>197,535</b>
<b>Shareholders' Equity (Deficiency)</b>			
Capital stock	9b	16,557,556	9,425,365
Contributed surplus	9c,9d	2,852,964	3,237,903
Deficit		(13,130,867)	(12,709,052)
Total Shareholders' Equity (Deficiency)		6,279,653	(45,784)
<b>Total Liabilities and Shareholders' Equity (Deficiency)</b>		<b>6,814,182</b>	<b>151,751</b>

Nature of Business and Going Concern (Note 1)  
Commitments and Contingencies (Notes 7 and 11)  
Subsequent events (Note 14)

These consolidated financial statements are authorized for issuance by the Board of Directors on September 29, 2020.

Approved on behalf of the Board of Directors:

(Signed) "Stephen Dunn"  
Director

(Signed) "Krisztian Toth"  
Director

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

Pasofino Gold Limited  
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)  
(Expressed in Canadian Dollars)

		Three months ended	
	Notes	July 31, 2020	July 31, 2019
		\$	\$
<b>Expenses</b>			
Exploration expense	7	170,087	-
Office and general	13	138,883	28,491
Professional fees	13	54,999	26,881
Management fees	8	15,000	18,000
Communications and travel		-	236
Loss before the undernoted		(378,969)	(73,608)
Foreign exchange loss		(42,846)	(5)
Finance expense		-	(8,715)
<b>Net loss and comprehensive loss</b>		<b>(421,815)</b>	<b>(82,328)</b>
Loss per share - basic and diluted	10	(0.00)	(0.01)
Weighted average number of common shares outstanding		103,723,740	7,182,078

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

Pasofino Gold Limited  
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency) (unaudited)  
(Expressed in Canadian Dollars)

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	Notes	Shares outstanding	Capital stock \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance at April 30, 2020</b>		<b>13,209,856</b>	<b>9,425,365</b>	<b>3,237,903</b>	<b>(12,709,052)</b>	<b>(45,784)</b>
Issue of shares for cash	<b>9b</b>	122,727,272	6,300,000	-	-	6,300,000
Share issuance costs			(83,948)	-	-	(83,948)
Exercise of warrants	<b>9d</b>	4,426,667	916,139	(384,939)	-	531,200
Net loss for the period		-	-	-	(421,815)	(421,815)
<b>Balance at July 31, 2020</b>		<b>140,363,795</b>	<b>16,557,556</b>	<b>2,852,964</b>	<b>(13,130,867)</b>	<b>6,279,653</b>
<b>Balance at April 30, 2019</b>		<b>7,182,078</b>	<b>9,123,733</b>	<b>3,073,904</b>	<b>(12,369,349)</b>	<b>(171,712)</b>
Net loss for the period		-	-	-	(82,328)	(82,328)
<b>Balance at July 31, 2019</b>		<b>7,182,078</b>	<b>9,123,733</b>	<b>3,073,904</b>	<b>(12,451,677)</b>	<b>(254,040)</b>

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Pasofino Gold Limited  
Condensed Consolidated Interim Statements of Cash Flows (unaudited)  
(Expressed in Canadian Dollars)

	Three months ended	
	July 31, 2020	July 31, 2019
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(421,815)	(82,328)
Items not affecting cash:		
Amortization	-	7,290
Net change in non-cash working capital items:		
Taxes and other receivables	(48,164)	106,202
Prepaid expenses	(38,729)	(32,838)
Accounts payable and accrued liabilities	336,994	36,942
Foreign exchange loss	32,680	-
<b>Net cash (used in) provided by operating activities</b>	<b>(139,034)</b>	<b>35,268</b>
<b>Investing activities</b>		
Issuance of loan receivable	(2,914,046)	-
<b>Net cash used in investing activities</b>	<b>(2,914,046)</b>	<b>-</b>
<b>Financing activities</b>		
Share subscriptions	6,300,000	-
Share issuance costs	(83,948)	-
Exercise of warrants	531,200	-
<b>Net cash provided by financing activities</b>	<b>6,747,252</b>	<b>-</b>
<b>Change in cash</b>	<b>3,694,172</b>	<b>35,268</b>
<b>Cash, beginning of period</b>	<b>119,228</b>	<b>146,606</b>
<b>Cash, end of period</b>	<b>3,813,400</b>	<b>181,874</b>

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Pasofino Gold Limited  
Notes for the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars, unless otherwise noted)  
(unaudited)  
For the three months ended July 31, 2020 and 2019

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**1. Nature of Business and Going Concern**

Pasofino Gold Limited, (the “Company”) was incorporated on August 18, 2010 under the *Business Corporations Act* of British Columbia. On April 19, 2013, the Company completed its Qualifying Transaction, and as a result, the Company ceased to be a CPC and commenced trading as a Tier 2 Mining Issuer on the TSX-V under the new trading symbol “NRL.V”. In early 2017, the ticker was changed to “VEIN”.

The principal business of the Company is the acquisition, exploration and development of mineral properties.

The Company’s head office, principal address, and registered and records office is 550 Burrard Street, Suite 2900, Vancouver, BC, V6C 0A3.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and evaluation programs will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, 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 its interests on an advantageous basis.

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 and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations for the next 12 months. At July 31, 2020, the Company had an accumulated deficit of \$13,130,867 (April 30, 2020 - \$12,709,052), expects to incur further losses in the development of its business, and had a net working capital of \$3,398,287 (April 30, 2020 – deficiency of \$45,784).

The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from raising equity capital and/or borrowing sufficient funds to meet current and future obligations. In order to continue as a going concern and meet its corporate objective, the Company will require additional financing through debt or equity issuances or other available means. However, there is no assurance that the Company will continue to be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

These consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

In March 2020, the outbreak of the novel strain of corona virus, specifically identified as “COVID19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

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It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

## **2. Basis of Preparation**

These condensed consolidated interim financial statements are prepared in accordance with IFRS, including International Accounting Standards ("IAS") 34, Financial Reporting, as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements have been prepared on a going concern basis, under historical cost convention. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These condensed consolidated interim financial statements were approved by the Board of Directors on September 29, 2020.

## **3. Significant Accounting Policies**

These condensed consolidated interim financial statements have been prepared following the same accounting policies, critical estimates and judgements used in the preparation of the audited consolidated financial statements of the Company for the year ended April 30, 2020, which are available on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, the Company has used the following accounting policies in the preparation of these consolidated financial statements:

### ***New Accounting Standards Adopted by the Company***

These new standards and changes adopted on May 1, 2020 did not have any material impact on the Company's condensed consolidated interim financial statements.

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.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

## **4. Capital Management**

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. 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 defines capital to include its capital stock, warrants, and contributed surplus components of its shareholders' equity. The properties in which the Company currently has an interest are in the early exploration stage; as such, the Company is dependent on

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external financing to fund its activities. In order to carry out the planned exploration activity and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended July 31, 2020 and 2019.

## 5. Financial Instruments

The Company's financial instruments consist of cash, other receivables, loan receivable, and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair values due to their short-term nature. The three levels of fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and

Level 3 - Inputs for assets or liabilities that are not based on observable market data

The Company had no financial instruments to classify in the fair value hierarchy at July 31, 2020 and 2019.

## 6. Financial Risks Factors

The Company's activities are exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and loan receivable. Cash consists of cash on deposits with banks and cash held in escrow with the Company's legal counsel. Loan receivable was issued to ARX Resources Ltd ("ARX"), see Note 12. Management believes that the credit risk concentration with respect to its financial instruments is remote.

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at July 31, 2020, the Company had cash and taxes and other receivable balances of \$3,892,808 (April 30, 2020 - \$150,472) to settle current liabilities of \$534,529 (April 30, 2020 - \$197,535). All the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company remains dependent upon financing from capital markets.

### Market Risk

Market risk is the risk of loss that might arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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i) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to limited interest rate risk, as it only holds cash and does not have any interest-bearing debt. The Company's loan receivable bears interest at a fixed rate.

ii) Foreign Currency Risk:

The Company also holds a bank account denominated in United States dollars; therefore, it is subject to risk in fluctuations in the exchange rate of the United States dollar. However, as at July 31, 2020 and 2019, the Company had a minimal balance in its US bank balance; therefore, any change in the Canadian dollar versus the United States would be insignificant.

## 7. Mineral Properties

Exploration and evaluation expenditures incurred during the three months ended July 31, 2020 and 2019 are as follows:

	July 31, 2020	July 31, 2019
<u>Roger Property</u>		
Exploration expenditures	170,087	-
<b>Total Exploration expenses</b>	<b>170,087</b>	<b>-</b>

### Title to exploration and evaluation assets

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all its exploration and evaluation assets and, to the best of its knowledge, title to all its interests are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

### Realization of assets

Realization of the Company's investment in these properties is dependent upon the establishment of legal ownership, obtaining of permits, satisfaction of governmental requirements and possible aboriginal claims, and attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards of an ore body if discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

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The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation and believes its operations are materially in compliance with all applicable laws and regulations. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

### **Roger Property**

On January 11, 2018, the Company announced that it had entered into an option and joint venture agreement with SOQUEM Inc. ("SOQUEM") to acquire a 50% interest in the Roger Property 5 km from Chibougamau, Quebec.

### **Terms of the Agreement**

Under the terms of the option agreement (the "Option"), the Company can earn a 50% undivided interest in the property after an investment of \$2,000,000 is made in a work program over 3 years and 111,111 common shares of the Company are issued to SOQUEM as follows:

- (i) Financing \$2,000,000 in work program as follows:
  - \$500,000 on or before January 8, 2019 (incurred);
  - \$750,000 on or before January 8, 2020 (incurred); and
  - \$750,000 on or before January 8, 2021.
- (ii) Issuing a total of 111,111 common shares of Pasofino to SOQUEM as follows:
  - 27,778 on or before January 8, 2019 (issued during 2019 with an estimated value of \$4,166 based on the quoted market price of the Company's shares on the date of issuance);
  - 27,778 on or before January 8, 2020 (issued during 2020 with an estimated value of \$3,334 based on the quoted market price of the Company's shares on the date of issuance); and
  - 55,555 on or before January 8, 2021.

The option can be earned prior to the end of the 3-year period if the Company completes the work requirement and issues the common shares earlier.

SOQUEM will act as the sole manager of the Property prior to the exercise of the Option and will add a 10% management fee to the funds they manage, or in the case of third party work a 5% management fee. Upon exercise of the Option, a joint venture (the "Joint Venture") will be established to continue the exploration and potential development, construction, commercial production, mine closure and rehabilitation. Prior to the establishment of the Joint Venture, it is deemed that each party has contributed \$2,000,000 to the Property.

Subsequent contributions to the Property will determine the interest of each party moving forward. If both parties agree to spend their relative proportion, the Joint Venture will continue as a 50-50 basis.

## **8. Related Party Transactions**

During the three months ended July 31, 2020 and 2019, the Company entered into the following transactions with related parties, not disclosed elsewhere in these condensed consolidated interim financial statements:

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Summary compensation of key management:

	Three Months Ended	
	July 31, 2020	July 31, 2019
	\$	\$
Management fees	15,000	18,000
Professional fees	-	15,000
	15,000	33,000

As at July 31, 2020, key management includes 4 directors and 2 members of the executive management team.

As at July 31, 2020, the Company has a balance payable of \$42,000 to certain directors (April 30, 2020 - \$27,000) which is due on demand, unsecured and non-interest bearing.

See Note 9(b)(i).

## 9. Capital Stock

a) Authorized – Unlimited common shares without par value.

b) Issued – 140,363,795 common shares

- i) On May 25, 2020, the Company completed a non-brokered private placement for aggregate gross proceeds of \$6,000,000 comprised of the sale of 120,000,000 common shares at a price of \$0.05 per common share. A director of the Company subscribed for 100,000 shares for gross proceeds of \$5,000. Another director of the Company subscribed for 3,000,000 shares for gross proceeds of \$150,000.
- ii) On June 8, 2020, the Company completed a follow-on non-brokered private placement for aggregate gross proceeds of \$300,000 comprised of the sale of 2,727,272 common shares at a price of \$0.11 per common share.
- iii) During the three months ended July 31, 2020, a total of 4,426,667 warrants were exercised for gross proceeds of \$531,200.

c) Stock options

The Company has adopted a stock option plan (the “Option Plan”), which provides that the Board of Directors of the Company may, from time to time, grant to directors, officers, employees and technical consultants of the Company, non-transferable options to purchase common shares. The expiry date for each option shall be set by the Board of Directors at the time of issue and shall not exceed ten years. A vesting schedule may be imposed at the discretion of the Board of Directors at the time of issue. During any twelve-month period, the number of shares issuable to any one optionee shall not exceed 5% of the total number of issued and outstanding shares of the Company. The number of shares that may be reserved for issuance shall not exceed 20% of the total number of issued and outstanding shares of the Company.

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The following table summarizes the stock option transactions during the period ended July 31, 2020:

	Number of Options	Weighted Average Exercise Price
<b>Balance, April 30, 2020 and July 31, 2020</b>	<b>275,000</b>	<b>\$0.05</b>

d) Warrants

Additional information regarding warrants outstanding and exercisable as at July 31, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, April 30, 2020</b>	<b>6,000,000</b>	<b>\$0.12</b>
Exercised	(4,426,667)	(\$0.12)
<b>Balance, July 31, 2020</b>	<b>1,573,333</b>	<b>\$0.12</b>

**10. Loss Per Share**

	Three Months Ended	
	July 31, 2020	July 31, 2019
Loss attributable to common shareholders	\$ (421,815)	\$ (82,328)
Weighted average number of shares outstanding – basic and diluted	103,723,740	7,182,078
Loss per share – basic and diluted	\$ (0.00)	\$ (0.01)

**11. Commitments and Contingencies**

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder because of the Company not meeting its expenditure commitments.

**12. Loan receivable**

On July 9, 2020, the Company entered into an agreement to acquire all the outstanding shares of ARX (the "Transaction"). ARX is an exploration company that has a conditional earn-in agreement in respect of the Dugbe Gold Project located in Liberia. Pursuant to the Transaction, Pasofino will issue an aggregate of 134,860,049 shares (the "Consideration Shares") to the shareholders of ARX (the "Vendors"). Upon completion of the Transaction, the Consideration Shares issued to the Vendors will represent 49% of the outstanding shares of Pasofino. As at July 31, 2020, the Company has advanced to ARX a total of \$2,881,366 (US\$2,150,000). The loans are due on demand, and bear interest at 7%. Security will be provided by ARX upon written request from the Company. On September 17, 2020, the Company announced that it had completed its acquisition of all the issued and outstanding shares of ARX. See Note 14.

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**13. Supplementary Expense Information**

	Three Months Ended	
<b>Office and General:</b>	<b>July 31, 2020</b>	<b>July 31, 2019</b>
	\$	\$
Administration and other expenses	84,729	10,698
Regulatory and shareholder filing fees	54,154	17,793
	<b>138,883</b>	<b>28,491</b>

	Three Months Ended	
<b>Professional Fees:</b>	<b>July 31, 2020</b>	<b>July 31, 2019</b>
	\$	\$
Corporate secretary fees	75	2,925
Consulting fees	9,500	19,000
Legal and audit fees	45,424	4,956
	<b>54,999</b>	<b>26,881</b>

**14. Subsequent Events**

*Acquisition of ARX Resources Limited*

On September 17, 2020, the Company announced that it had completed its acquisition of all the issued and outstanding shares of ARX Resources Limited ("ARX"). Pursuant to the transaction, Pasofino issued an aggregate of 134,860,049 shares (the "Consideration Shares") to the shareholders of ARX (the "Vendors"). The Consideration Shares issued to the Vendors will be subject to a two-year contractual lock-up, released in 25% installments every six months, with the release of the first 25% of the Consideration Shares to occur six months from September 17, 2020.

ARX is party to an earn-in agreement with Hummingbird Resources PLC ("Hummingbird PLC") in respect of the Dugbe Gold Project in Liberia (the "Project") whereby, in accordance with the earn-in agreement (the "Option Agreement"), ARX is entitled to earn a 49% interest (not including the 10% carried interest issuable to the Government of Liberia) in Hummingbird Resources (Liberia) Inc. ("Hummingbird Liberia"), which owns 100% of the Project and is subject to various conditions. These include the payment by ARX to Hummingbird Liberia of a non-refundable deposit of US\$2 million ("Deposit") with the Deposit funds to be used in connection with the Project. When the 10% carried interest is issued by Hummingbird Liberia to the Government of Liberia, the interest earned or held by ARX will be a 44.1% economic interest (consisting of a 39% shareholding interest in Hummingbird Liberia and economic rights in 5.1% of the equity securities of Hummingbird Liberia held by Hummingbird PLC). In addition, Hummingbird PLC will transfer to ARX 49% of the inter-company loans owing by Hummingbird Liberia to Hummingbird PLC.

In order to earn its interest under the Option Agreement, ARX is required to complete a Feasibility Study, under joint management committee oversight, on the Project, undertake the mutually agreed exploration program; and cover the overhead and operating costs associated with the Project during the two year earn-in period. In addition, ARX is required to fund during the term of the Option Agreement approximately US\$700,000 of the payment obligations of Hummingbird Liberia under the Mineral Development Agreement with the Government of Liberia. ARX, or an

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affiliate, is also required to complete a debt or equity financing within 3 months such that the total available cash to ARX and its affiliates is not less than \$10,000,000.

The Project is subject to a net smelter return royalty of 5% - 5.5%.

*Closing of Bought Deal Private Placement*

On September 22, 2020, the Company announced that it had completed a bought deal private placement of special warrants of the Company (the "Special Warrants") raising gross proceeds of \$10,020,000 (the "Offering").

Pursuant to the Offering, the Company issued 33,400,000 Special Warrants at a price of \$0.30 per Special Warrant. Each Special Warrant, subject to the Penalty Provision (as defined below) and subject to adjustments in certain circumstances, will be exercisable into one unit of the Company (each, a "Unit") without payment of any additional consideration. Each Unit consists of one (1) common share of the Company, (each, a "Unit Share") and one-half of one (0.5) common share purchase warrant (each whole common share purchase warrant, a "Warrant"), with each whole Warrant being exercisable to acquire one common share of the Company (a "Warrant Share") at an exercise price of \$0.40 per Warrant Share for a period of 12 months following the closing of the Offering (the "Closing Date").

All unexercised Special Warrants shall be deemed exercised on behalf of, and without any required action on the part of, the holders (including payment of additional consideration) on the earlier of (the "Automatic Exercise Date"):

(i) The second business day following the date on which a final receipt is obtained from the British Columbia Securities Commission, as principal regulator on behalf of the securities regulatory authorities in each of the qualifying jurisdictions (the "Final Receipt"), for a (final) short form prospectus (the "Qualifying Prospectus") qualifying for distribution the Unit Shares and Warrants underlying the Special Warrants (the "Qualification Date"); and

(ii) 4:59 p.m. (Vancouver time) on January 23, 2021.

The Company has agreed to use its commercially reasonable efforts to qualify in Canada the distribution of (i) the Unit Shares and Warrants issuable upon exercise of the Special Warrants, and (ii) the Broker Warrants issuable upon exercise of the Broker Options (each as defined below) and to obtain the Final Receipt therefor, on or prior to December 22, 2020. In the event the Qualification Date has not occurred on or before December 22, 2020, each Special Warrant and Broker Warrant shall thereafter entitle the holder to receive, upon the exercise or deemed exercise thereof, as applicable, 1.1 Units (the "Penalty Provision").