PASOFINO GOLD

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

McGovern
Hurley

Audit. Tax. Advisory.

Independent Auditor’s Report

To the Shareholders of Pasofino Gold Limited

Opinion

We have audited the consolidated financial statements of Pasofino Gold Limited and its subsidiary (the “Company”), which comprise the consolidated statements of financial position as at April 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders’ deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for opinion

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

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner of the audit resulting in this independent auditor’s report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
August 28, 2020

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

	Notes	**As at April 30, 2020 $**	As at April 30, 2019 $
Assets			
Current assets			
Cash		**119,228**	146,606
Taxes and other receivables		**31,244**	109,893
Prepaid expenses		**1,279**	6,473
Total Current Assets		**151,751**	262,972
Non-Current assets			
Equipment		-	7,290
Total Non-Current Assets		**-**	7,290
Total Assets		**151,751**	270,262
Liabilities and Shareholders' Deficiency			
Current liabilities			
Accounts payable and accrued liabilities	**8**	**197,535**	441,974
Total Liabilities		**197,535**	441,974
Shareholders' Deficiency			
Capital stock	**9b**	**9,425,365**	9,123,733
Contributed surplus	**9c,9d**	**3,237,903**	3,073,904
Deficit		**(12,709,052)**	(12,369,349)
Total Shareholders' Deficiency		**(45,784)**	(171,712)
Total Liabilities and Shareholders' Deficiency		**151,751**	270,262

Nature of Business and Going Concern (Note 1)
Commitments and Contingencies (Notes 7 and 12)
Subsequent Events (Note 14)

These consolidated financial statements are authorized for issuance by the Board of Directors on August 28, 2020.

Approved on behalf of the Board of Directors:

(Signed) "*Stephen Dunn*"
Director

(Signed) "*Christian Scovenna*"
Director

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

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

	Notes	Year ended April 30. 2020	April 30. 2019
		$	$
Expenses			
Exploration expense	**7**	**-**	1,616,843
Office and general	**8,13**	**76,342**	144,339
Advertising and promotion		**-**	25,172
Professional fees	**8,13**	**174,640**	58,743
Management fees	**8**	**63,000**	28,000
Communications and travel		**3,361**	10,621
Stock based compensation		**17,000**	-
Loss before the undernoted		**(334,343)**	(1,883,718)
Foreign exchange (loss) gain		**(5)**	237
Finance expense		**(5,355)**	(3,931)
Flow-through share premium		**-**	313,838
Net loss and comprehensive loss		**(339,703)**	(1,573,574)
Loss per share - basic and diluted	**11**	**(0.03)**	(0.22)
Weighted average number of common shares outstanding		**10,987,939**	7,157,576

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

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

	Notes	Shares outstanding	Capital stock	Contributed surplus	Deficit	Total
			$	$	$	$
Balance as at April 30, 2018		**7,154,301**	**9,119,567**	**3,073,904**	**(10,795,775)**	**1,397,696**
Share-based payments		27,777	4,166	-	-	4,166
Net loss for the year		-	-	-	(1,573,574)	(1,573,574)
Balance at April 30, 2019		**7,182,078**	**9,123,733**	**3,073,904**	**(12,369,349)**	**(171,712)**
Issue of shares for cash	**9b**	6,000,000	450,000	-	-	450,000
Share issuance costs	**9b**	-	(4,703)	-	-	(4,703)
Warrants issued	**9d**	-	(146,999)	146,999	-	-
Stock based compensation	**9b, 9c**	27,778	3,334	17,000	-	20,334
Net loss for the year		-	-	-	(339,703)	(339,703)
Balance at April 30, 2020		**13,209,856**	**9,425,365**	**3,237,903**	**(12,709,052)**	**(45,784)**

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

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

	Year ended	
	April 30, 2020	**April 30, 2019**
	$	$
Operating activities		
Net loss for the year	**(339,703)**	(1,573,574)
Items not affecting cash:		
Amortization	**7,290**	-
Stock based compensation	**20,334**	4,166
Flow-through share premium	**-**	(313,838)
Net change in non-cash working capital items:		
Taxes and other receivables	**78,649**	471,133
Prepaid expenses	**5,194**	2,784
Accounts payable and accrued liabilities	**(244,439)**	134,522
Net cash used in operating activities	**(472,675)**	(1,274,807)
Net cash used in investing activities	**-**	-
Financing activities		
Share subscriptions	**445,297**	-
Net cash provided by financing activities	**445,297**	**-**
Change in cash	**(27,378)**	**(1,274,807)**
Cash, beginning of year	**146,606**	**1,421,413**
Cash, end of year	**119,228**	**146,606**

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

1. Nature of Business and Going Concern

Pasofino Gold Limited, formerly Enforcer Gold Corp. (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 located in Quebec, Canada.

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 consolidated 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 April 30, 2020, the Company had an accumulated deficit of $12,709,052 since inception (April 30, 2019 - $12,369,349), expects to incur further losses in the development of its business, and had a net working capital deficiency of $45,784 (April 30, 2019 –$179,002).

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. See note 14 for details of subsequent financings.

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.

2. Basis of Preparation

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

These consolidated financial statements have been prepared on a going concern basis, under historical cost convention. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The principal accounting policies and critical estimate and judgements used when compiling these financial statements are set out below. These consolidated financial statements were approved by the Board of Directors on August 28, 2020.

3. Significant Accounting Policies

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

b) Functional and Presentation Currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"), which was determined to be Canadian dollars. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. Transactions in currencies other than the Canadian dollar are translated at rates at the time of the transactions as follows:

(i) Monetary assets and liabilities are translated at current rates of exchange at each reporting date with the resulting gain or losses recorded in foreign exchange gain/loss in the consolidated statement of loss;

(ii) Non-monetary items are translated at historical exchange rates and are not retranslated; and

(iii) Expense items are translated at the rates of exchange prevailing on the dates of the transactions.

c) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit with banks and cash held in escrow with the Company's legal counsel.

d) Flow-through Shares

The Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the flow-through common shares are offered. The allocation is made based on the difference ("premium") between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized which is recorded in the consolidated statement of loss, in the period the eligible expenditures are incurred.

e) Exploration Expenditures

Mineral property acquisition costs are expensed as incurred. Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All exploration expenditures are expensed as incurred.

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures incurred subsequent to this date related to development and construction are capitalized as construction-in-process and classified as a component of property, plant and equipment.

f) Loss per Common Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted loss per share calculation assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. All the Company’s outstanding stock options and warrants were anti-dilutive for the years ended April 30, 2020 and 2019.

g) Share-based Compensation

Share-based compensation transactions with employees are measured based on the fair value of the sharebased compensation issued. The Company grants stock options to certain employees under the terms of the Company's Stock Option Plan or Share Awards Plan. Each tranche in an option award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires estimates for the expected life of options and stock price volatility which can materially affect the fair value estimate. Volatility and expected life of option is estimated based on an analysis of factors such as the Company's historical price trends, history of option holder activity, and peer and industry benchmarks for similar transactions.

Share-based compensation expense is recognized over the vesting period of the grant by increasing contributed surplus based on the number of awards expected to vest. This number is reviewed at least annually, with any change in estimate recognized immediately in share-based compensation expense with a corresponding adjustment to contributed surplus.

Share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

h) Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be used.

The determination of the ability of the Company to use tax loss carry-forwards to offset deferred tax payable involves judgment and certain assumptions about the future performance of the Company. Assessment is required about whether it is "probable" that the Company will benefit from the prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of using the losses.

i) Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

j) Equipment

Equipment is stated at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use. Amortization is provided on a declining balance basis over the estimated useful lives of the equipment using the following rate:

- Computer equipment – 30%

k) Rehabilitation Provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, dismantling operating facilities, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed, or the ground / environment is disturbed at the production location. The liability is initially recognized at the present value of the estimated cost. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to rehabilitation liability when they occur. When applicable for closed sites, changes to estimated costs are recognized immediately in the consolidated statement of loss.

l) Financial Instruments

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVTOCI)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company may irrevocably elect, on initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL

Classification Financial Instrument	Classification under IFRS 9
Cash	Amortized cost
Amount receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the consolidated statements of net loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime expected credit losses for its amounts receivable. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for the respective items.

Derecognition

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cashflows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the consolidated statements of net loss.

Financial liabilities – The Corporation derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net loss.

m) Critical Accounting Judgements and Estimates

The preparation of these financial statements under IFRS requires management to make certain estimates, judgments and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge on the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

i. 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.

ii. Estimation of restoration, rehabilitation and environmental obligation

Restoration, rehabilitation and environmental 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 restoration, rehabilitation and environmental liabilities that may occur upon ceasing exploration and evaluation activities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

iii. Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumption about them, the assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

iv. Contingencies

Provisions for contingencies are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation, and reflects the present value of expenditures required to settle the obligation where the time value of money is material. See notes 7 and 12.

n) ***New Accounting Standards Issued but Not Yet Applied***

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.

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. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

o) ***New and Amended Standards Adopted by the Company***

During the year ended April 30, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 16 and IFRIC 23. These new standards and changes did not have any material impact on the Company's financial statements.

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, 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 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 years ended April 30, 2020 and 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of April 30, 2020, the Company believes it is not compliant with the policies of the TSXV. The impact of non-compliance is currently unknown and is under the discretion of TSXV. See Note 14.

5. Financial Instruments

The Company's financial instruments consist of cash, other receivables 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 April 30, 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. Cash consists of cash on deposits with banks and cash held in escrow with the Company's legal counsel. Included in taxes and other receivables is $3,982 (April 30, 2019 - $94,293) relating to sales taxes payable to various Canadian governments. Management believe 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 April 30, 2020, the Company had cash and taxes and other receivable balances of $150,472 (April 30, 2019 - $256,499) to settle current liabilities of $197,535 (April 30, 2019 – $441,974). 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.

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.

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 April 30, 2020 and 2019, the Company had a minimal balance in its US bank account; therefore, any change in the Canadian dollar versus the United States would be insignificant.

7. Mineral Properties

Exploration and evaluation expenditures incurred during the years ended April 30, 2020 and 2019 are as follows:

	April 30, 2020	April 30, 2019
	$	$
(a) Montalembert Property		
Exploration expenditures	-	152,184
(b) Roger Property		
Exploration expenditures	-	1,464,659
Total Exploration expenses	**-**	1,616,843

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.

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.

a) Montalembert Gold Property

On November 17, 2016, the Company announced that it had entered into an option agreement with Globex Mining Enterprises (“Globex”) to acquire a 100% interest in the Montalembert Gold Property located 120 kilometres west of Chibougamau in central Quebec. On October 30, 2017 the Company and Globex entered into an amended agreement as follows:

Terms of the Option

Pursuant to the amended agreement, the Company shall have the option to earn an undivided 100% right, title, and interest in the Property (the “Option”), subject to a Gross Metal Royalty, by making aggregate cash payments to Globex of $2,700,000, issuing an aggregate of 944,444 common shares and incurring aggregate exploration expenditures of $10,000,000 on the Property as follows:

(i) Paying $2,700,000 in cash to Globex as follows:

- $300,000 on or before November 16, 2016 (paid);
- $300,000 on or before November 16, 2017 (paid);
- $500,000 on or before November 16, 2018; and
- $1,600,000 on or before November 16, 2019.

(ii) Issuing 944,444 common shares of Pasofino to Globex as follows:

- 166,667 common shares on or before the tenth business day after TSX Venture Exchange acceptance of this Option Agreement but no later than November 16, 2016 (issued);
- 222,222 common shares on or before November 16, 2017 (issued);
- 222,222 common shares of on or before November 16, 2018; and
- 333,333 common shares of on or before November 16, 2019.

(iii) Incurring aggregate exploration expenditures of $10,000,000 on the Property as follows:

- $1,000,000 in exploration expenditures to be completed on or before November 16, 2017 (incurred);
- An additional $1,000,000 in exploration expenditures to be completed on or before November 16, 2018; incurred
- an additional $1,000,000 in exploration expenditures to be completed on or before November 16, 2019;
- an additional $2,000,000 in exploration expenditures to be completed on or before November 16, 2020; and
- an additional $5,000,000 in exploration expenditures to be completed on or before November 16, 2021.

The cash and share payments to be made by the Company prior to November 16, 2017 and the exploration expenditure to be incurred prior to November 16, 2018, are firm commitments and must be made even in the event that the Company terminates this Option Agreement and chooses not to exercise the Option. As at April 30, 2018, all firm commitments have been met.

On August 17, 2018 the Company announced that it has terminated its option to acquire an interest in the Montalembert Gold Property.

b) 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 the Company 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.

(Expressed in Canadian dollars, unless otherwise noted)

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 years ended April 30, 2020 and 2019, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

Summary compensation of key management:

	Year ended	
	April 30, 2020	**April 30, 2019**
	$	$
Salaries	**-**	64,614
Management fees	**61,000**	28,000
Professional fees	**52,000**	-
Exploration expenses	**-**	62,749
Stock based compensation	**17,000**	-
	130,000	**155,363**

As at April 30, 2020, key management includes 4 directors and 2 members of the executive management team. During the period, the Company recognized $15,600 of bad debt provision related to amounts owing from two corporations with certain directors and officers in common with the Company.

As at April 30, 2020, the Company has a balance payable of $27,000 to certain directors and officers (April 30, 2019 - $33,250) which is due on demand, unsecured and non-interest bearing.

Directors subscribed for 1,333,333 units of the Company for gross proceeds of $100,000. See note 9(b)(ii).

9. Capital Stock

a) Authorized – Unlimited common shares without par value.

b) Issued – 13,209,856 common shares

   i) On July 25, 2019, the Company consolidated its outstanding common shares on a one-for-three basis. All share and per share figures in these consolidated financial statements have been presented on a retroactive basis showing the effect of the share-consolidation.

(Expressed in Canadian dollars, unless otherwise noted)

ii) On September 13, 2019, the Company closed a non-brokered private placement of 6,000,000 units of the Company ("the Units") at a price of $0.075 per unit for gross proceeds of $450,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for $0.12 until the date that is twenty-four (24) months from the closing of the offering. In connection with the offering, the Company has agreed to pay commissions in the aggregate amount of $4,703 to eligible finders. The fair value of the warrants issued was estimated at $146,999 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 132%; risk-free interest rate of 1.64% and an expected life of two years.

iii) On January 8, 2020, the Company issued 27,778 common shares at a price of $0.12 per share to Globex pursuant to the Montalembert Gold Property option agreement (2019 – 27,777 shares issued at $0.15 per share).

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 shrfares 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.

During the year ended April 30, 2020, 463,888 stock options expired (2019 – 177,778) and 275,000 (2019 - Nil) options were issued to a director of the Company. The fair value of the 275,000 stock options issued in 2020 was estimated at $17,000 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 146%; risk-free interest rate of 0.54% and an expected life of four years. The estimated grant date fair value of the stock options was $0.06 per option. The stock options expire on April 30, 2024.

The following table summarizes the stock option transactions during the years ended April 30, 2020 and 2019:

	Number of Options	**Weighted Average Exercise Price**
Balance, May 1, 2018	**641,666**	$1.80
Expired	(177,778)	($1.80)
Balance, April 30, 2019	**463,888**	$2.70
Expired	(463,888)	($2.70)
Issued	275,000	$0.05
Balance, April 30, 2020	**275,000**	**$0.05**

(Expressed in Canadian dollars, unless otherwise noted)

d) Warrants

The following table summarizes the warrant transactions during the years ended April 30, 2020 and 2019:

	Number of Warrants	Weighted Average Exercise Price
Balance, May 1, 2018	**1,589,236**	$2.70
Expired	(1,314,066)	($2.70)
Balance, April 30, 2019	**275,170**	$2.70
Expired	(275,170)	($2.70)
Issued	6,000,000	$0.12
Balance, April 30, 2020	**6,000,000**	**$0.12**

During the year ended April 30, 2020, 275,170 non-exercised warrants expired. On September 13, 2019, 6,000,000 warrants were issued as part of the private placement. These warrants expire on September 13, 2021.

10. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2020	2019
	$	$
Net loss for the year	(339,703)	(1,573,574)
Canadian statutory income tax rate	26.50%	26.50%
Income tax recovery computed at Canadian statutory rates	(90,000)	(417,000)
Non-deductible items	5,000	26,000
Impact of flow-through shares	-	333,000
Benefits of tax assets not recognized	85,000	58,000
	-	-

The Company's unrecognized deductible temporary differences and unused tax loses for which no deferred tax asset is recognized consists of the following amounts:

	2020	2019
	$	$
Share issuance costs	177,000	512,000
Mineral properties	1,739,000	1,681,000
Non-capital losses	5,740,000	5,300,000
	7,656,000	7,493,000

The Company has accumulated non-capital losses for Canadian income tax purposes of approximately $5,740,000 expiring between 2031 and 2040.

As at April 30, 2020, the Company had approximately $1,739,000 of Canadian exploration and development expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

The potential future benefit of these deferred tax assets has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(Expressed in Canadian dollars, unless otherwise noted)

11. Loss Per Share

	Year ended	
	April 30, 2020	**April 30, 2019**
Loss attributable to common shareholders	**$ (339,703)**	$ (1,573,574)
Weighted average number of shares outstanding – basic and diluted	**10,987,939**	7,157,576
Loss per share – basic and diluted	**$ (0.03)**	$ (0.22)

12. 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.

The Company has entered into certain consulting agreements having minimum commitments of approximately $120,000 due within one year.

13. Supplementary Expense Information

	Years ended	
Office and General:	**April 30, 2020**	**April 30, 2019**
	$	$
Salaries	**-**	13,520
Administration and other expenses	**38,453**	75,235
Regulatory and shareholder filing fees	**37,889**	55,584
	76,342	144,339

	Years ended	
Professional Fees:	**April 30, 2020**	**April 30, 2019**
	$	$
Corporate secretary fees	**4,765**	9,972
Consulting fees	**123,557**	18,032
Legal and audit fees	**46,318**	30,739
	174,640	58,743

14. Subsequent Events

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.

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.

On July 9, 2020, the Company entered into an agreement to acquire all the outstanding shares of ARX Resources Limited ("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 132,415,974 shares, subject to adjustment based on the number of common shares outstanding on the closing date of the transaction (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. Pasofino has lent ARX US$2,150,000 ($2,991,000). The loans are due on demand, and bear interest at 7%. Security will be provided by ARX upon written request from the company.

On August 20, 2020 Pasofino entered into an agreement with Stifel Nicolaus Canada Inc., on its own behalf and on behalf of a syndicate of underwriters (collectively, the “Underwriters”), pursuant to which the Underwriters have agreed to purchase, on a “bought deal” private placement basis, 33,400,000 special warrants of Pasofino (the “Special Warrants”) at a price of C$0.30 per Special Warrant for aggregate gross proceeds to Pasofino of C$10,020,000. Closing of the private placement is subject to the signing of a definitive agreement with the Underwriters, completion of due diligence, receipt of all necessary regulatory approvals, and completion of the Transaction with ARX.

Subsequent to April 30, 2020, 4,796,667 warrants were exercised for gross proceeds of $575,600.