



P A S O F I N O G O L D

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2020

REPORT DATE – DECEMBER 29, 2020

1. INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Pasofino Gold Ltd. ("Pasofino" or the "Company") previously called Enforcer Gold Corp, for the three and six months ended October 31, 2020. It should be read in conjunction with the unaudited condensed consolidated interim financial statements and the notes thereto for the same period as noted above, and the audited financial statements for the year ended April 30, 2020 (collectively, the "Financial Statements"). The MD&A has been prepared with an effective date of December 29, 2020.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and all dollar amounts are expressed in Canadian ("CDN") dollars unless otherwise indicated.

Forward Looking Statements

This document contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to as "forward-looking statements"). Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "planned," "budget," "scheduled," "estimates," "continues," "forecasts," "projects," "predicts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases, or statements that certain actions, events or results "may," "could," "would," "should," "might" or "will" be taken, occur or be achieved.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- the Company's acquisition strategy;
- the Company's expectations regarding its ability to raise capital and meet its obligations.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any of our future results, performance or achievements expressed or implied by the forward-looking statements; consequently, undue reliance should not be placed on forward-looking statements.

Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the timing of the receipt of required approvals for our operations;
- the availability of equity and other financing on reasonable terms;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- our ability to attract and retain skilled labour and staff; and
- our ongoing relations with our employees and with our business/joint venture partners.

We caution you that the foregoing lists of important risk factors and assumptions are not exhaustive. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

2. COMPANY OVERVIEW

Pasofino is a Canadian-based mineral exploration company and trades on the TSX-V Exchange under the symbol VEIN and on the Frankfurt Exchange under the symbol N071. Pasofino has an option to acquire a 50% interest in the advanced-stage Roger Gold-Copper project ("Roger") located 5 km northwest of Chibougamau, Quebec.

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 at the time subscribed for 100,000 shares for gross proceeds of \$5,000. Another director of the Company at the time 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.

During the six months ended October 31, 2020, a total of 4,796,667 warrants were exercised for gross proceeds of \$575,600.

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 "Dugbe Gold 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 Dugbe Gold 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 Dugbe Gold 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 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 3% and a net smelter royalty between 2% - 2.5%.

In accordance with IFRS 3 - Business Combinations, the Transaction does not meet the definition of a business combination as ARX has not yet commenced principal operations and is in the exploration stage. Consequently, the transaction has been recorded as an acquisition of an asset in accordance with IFRS 2 – Share-based Payment.

Purchase Price Consideration	(\$)
134,860,049 common shares of Pasofino ⁽¹⁾	27,902,913

Net Assets Acquired (Estimated Fair Value)	(\$)
Cash	12,242
Prepaid expenses	27,567
Mining properties	30,809,344
Amounts payable and other liabilities	(42,240)
Loan payable ⁽²⁾	(2,904,000)
Total net assets	27,902,913

⁽¹⁾ As the shares issued to the Vendors are subject to an escrow agreement with timed releases over a two-year period, a discount was applied to the quoted market price of the Company's shares. The valuation was based on the September 17, 2020 quoted market price of \$0.265 per share, subject to an aggregate discount for the escrow conditions determined to be approximately 22% (\$7,835,000).

⁽²⁾ Prior to the acquisition of ARX, the Company advanced to ARX a total of \$2,904,000 (US\$2,200,000). The loans were due on demand with interest at 7%. Security was provided by ARX upon written request from the Company. On September 17, 2020, the Company completed the acquisition of all the issued and outstanding shares of ARX.

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. As the Qualification Date has not occurred on or before December 22, 2020, each Special Warrant and Broker Warrant shall now entitle the holder to receive, upon the exercise or deemed exercise thereof, as applicable, 1.1 Units (the "Penalty Provision").

Subsequent to the period ended October 31, 2020, the following significant events occurred:

On November 10, 2020, the Company announced that Hummingbird Liberia has exercised its option to acquire the "Central License" located and encompassed centrally within the Dugbe Gold Project. The Company has an earn-in option for a 49% economic interest into the Dugbe Gold Project (prior to the issuance of the Government of Liberia's 10% carried interest) once defined feasibility studies and exploration commitments have been met.

On November 19, 2020, the Company announced the appointment of Lincoln Greenidge as Chief Financial Officer of the Company.

On December 8, 2020, the Company announced that its common shares commenced trading on the OTCQB Venture Market ("OTCQB") in the United States. The Pasofino ticker is (OTCQB: EFRGF).

On December 22, 2020, the Company announced that at its annual general and special meeting held on December 21, 2020, shareholders of the Company approved all matters brought before them, including: (i) the fixing of the number of Directors of the Company at five (5) and the election of Robert Metcalfe to the board of directors; (ii) the appointment of McGovern Hurley LLP, Chartered Professional Accountants, as auditors of the Company; (iii) the reapproval of the Company's stock option plan; and (iv) the consolidation of the issued and outstanding common shares in the capital of the Company (the "Common Shares") on the basis of one (1) post-consolidation Common Share for every fifteen (15) preconsolidation Common Shares.

3. SUMMARY OF EXPLORATION ACTIVITIES

3.1 Roger Gold-Copper Project

Pasofino has an option and joint venture agreement with SOQUEM to earn a 50% interest in the 987-hectare Roger Gold-Copper Project. Roger is located 5 km north of Chibougamau, Quebec, has all-season road access, and is crossed by a power line that serviced the past-producing Troilus Mine.

Roger is an advanced-stage exploration property containing the Mop-II porphyry gold-copper deposit with 58,000 m of diamond drilling completed to date and a current mineral resource estimate.

Recent Exploration and Reporting

The Mop-II was historically explored as a higher-grade, vein type deposit; however, a review of the data indicated there was significant potential to define a high-tonnage, lower-grade deposit that would be potentially amenable to lower-cost, open-pit mining techniques.

SOQUEM and Pasofino completed a 3,068 m (11 hole) Phase 1 diamond drilling program in April 2018. The primary objective of the program was the twinning of 8 historic holes on the Main zone, for which the core is no longer available, and deeper drilling (>300m vertical) to determine if mineralization continues at depth on the eastern portion of the deposit.

As reported in the Company's June 20, 2018 press release, the 8 twinned holes verified the results of the 8 historical holes with mineralization beginning at or near surface and continuing for significant lengths down hole. Highlights included:

- Hole 1206-18-85: 0.83 g/t Au over 112 m
- Hole 1206-18-87: 0.71 g/t Au over 147.8 m
 - including 1.07 g/t Au over 64.8 m
- Hole 1206-18-88: 0.73 g/t Au over 219.7 m
 - including 1.32 g/t Au over 57.7 m
- Hole 1206-18-89: 0.54 g/t Au over 230.1 m
- Hole 1206-18-94: 0.29 g/t Au over 514.5 m
 - including 0.89 g/t Au over 81.0 m

- including 0.50 g/t Au over 219.5 m

Holes 1206-18-93 and 94 were collared to the east of the lesser explored North zone and drilled to intersect the Main zone at depth. Both holes intersected mineralization on strike of the North zone, extending its potential strike extent to over 450 m. Hole 1206-18-94 demonstrated continuous lower-grade mineralization over 514.5 m of core length to a vertical depth of ~400 m. A copper-enriched gold zone correlating with the North zone was intercepted from 79.5-129.5 m down hole, returning 54 m of 0.18 g/t Au and 0.11% Cu (see June 27, 2018 press release). Hole 1206-08-25 was a deepening of historical hole 1206-08-25 from 375 to 521.5 m down hole, also confirming that a very broad halo of lower-grade mineralization extends at depth below the Main zone.

On September 18, 2018, Pasofino and SOQUEM announced an updated and revised mineral resource estimate prepared by GéoPointCom of Val-d'Or, Québec. Using a 0.45 g/t gold equivalent ("AuEq") cut off, the resource estimate for the Mop-II deposit totals 333,000 AuEq oz in the Indicated category and 202,000 AuEq oz in the Inferred category. Over 60% of the amended global resource is in the higher confidence Indicated category.

Pit-Constrained Mineral Resource Estimate on the Mop-II Gold-Copper Deposit – July 4, 2018

Category	AuEq Cut-off (g/t)	Tonnes	AuEq (g/t)	Contained AuEq (oz)	Au (g/t)	Contained Au (oz)
Indicated	0.45	10,900,000	0.95	333,000	0.85	297,000
Inferred	0.45	6,569,000	0.96	202,000	0.75	159,000

Note: Details of the 2018 mineral resource estimate are provided in the Company's press release dated September 18, 2018. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Pasofino elected to accelerate the earn-in schedule of the option agreement by financing the Phase 2 diamond drilling program that commenced in early October 2018. The Phase 2 program employed 2 drill rigs and was completed in one month with 34 holes totalling 7,645m.

The Phase 2 drilling program was designed to expanded the Mop-II mineral resource in areas where the opportunity for rapidly defining extensions appears most encouraging. Approximately 80% of the holes were drilled to increase and upgrade the current resource in the conceptual pits by filling gaps between the widely-spaced holes and testing the at-depth and on-strike extensions of the known zones. The remaining 20% were exploratory holes targeting potential extensions of the North zone beyond the modelled resource area.

On January 16, 2019, the Company reported initial assay results for the first 11 holes of the Phase 2 diamond drilling program on the Mop-II gold-copper deposit. Highlights from the first 11 holes included:

- Hole 1206-18-95: 1.08 g/t AuEq over 15 m
- Hole 1206-18-97: 0.55 g/t AuEq over 75.7 m
- Hole 1206-18-101: 10.98 g/t AuEq over 1.3 m
- Hole 1206-18-101: 94.26 g/t AuEq over 1.0 m
- Hole 1206-18-104: 0.65 g/t AuEq over 113.2 m

- Hole 1206-18-106: 0.51 g/t AuEq over 87.1 m
- Hole 1206-18-108: 37.62 g/t AuEq over 1.3 m

A full compilation and interpretation of the results will be undertaken once the assays from the remaining 23 holes have been received.

Core samples from the Phase 2 have been analysed at SGS Canada Inc.'s analytical laboratory in Lakefield, Ontario. Assay results will be released once received and compiled.

Pasofino and SOQUEM are committed to advancing the Roger project and expanding and upgrading the mineral resource on the Mop-II deposit.

Terms of the Roger Option Agreement

Under the terms of the option agreement (the "Option"), Pasofino can earn a 50% undivided interest in the Property after Pasofino invests \$2,000,000 in a work program over 3 years and issues 111,111 common shares of Pasofino to SOQUEM as follows:

- Financing \$2,000,000 in work program investments as follows:
 - \$500,000 by the end of year 1 (January 8, 2019) – (completed);
 - \$750,000 by the end of year 2 (January 8, 2020) – (completed); and
 - \$750,000 by the end of year 3 (January 8, 2021).
- Issuing a total of 111,111 common shares of Pasofino as follows:
 - 27,778 by the end of year 1 (January 8, 2019) – (issued);
 - 27,778 by the end of year 2 (January 8, 2020) – (issued); and
 - 55,555 by the end of year 3 (January 8, 2021).

The Option can be earned prior to the end of the 3-year period if Pasofino 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 on a 50-50 basis.

To date the Company has spent \$1.7 million towards the \$2 million earn in requirement.

3.2 Dugbe Gold Project

Subsequent to the most recent financing of \$10 million, the company began to proceed with the various activities in preparation for the start of exploration activities on the Dugbe Gold project with the intention of earning the 49% interest in the project once it completed a feasibility study and met other requirements as outlined previously. Preparation of field work began during the month of October, with a pre-mobilisation visit and the management and representatives of the drilling contractor. This visit was to achieve the following:

- to engage with community leaders in the Tiehnpo and Gmayenken areas
- visit the initial drill-collars at the Tiehnpo target and Dugbe F deposit
- Identify a site to set up a camp for HBL and Cestos Drilling (Cestos) at Tiehnpo, and
- Assess alternative access route to Tuzon/Dugbe F from Government Camp

3.3 Exploration and Evaluation Expenditures

	Three Months Ended October 31, 2020 (\$)	Three Months Ended October 31, 2019 (\$)	Six Months Ended October 31, 2020 (\$)	Six Months Ended October 31, 2019 (\$)
Roger Property				
Field work	69,842	-	239,929	-
Total	69,842	-	239,929	-

	Three Months Ended October 31, 2020 (\$)	Three Months Ended October 31, 2019 (\$)	Six Months Ended October 31, 2020 (\$)	Six Months Ended October 31, 2019 (\$)
Dugbe Gold Project				
Acquisition costs	30,809,344	-	30,809,344	-
Drilling and exploration activities	1,686,390	-	1,686,390	-
Option payment	670,365	-	670,365	-
Other project related costs	714,068	-	714,068	-
Total	33,880,167	-	33,880,167	-

4. SELECTED FINANCIAL INFORMATION

As at October 31, 2020, the Company was a Tier 2 mining issuer and had not achieved any commercial operations. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

Key financial statement items are summarized in the tables below:

	For the six months ended October 31, 2020	For the six months ended October 31, 2019	Variance
	(\$)	(\$)	(\$)
Acquisition costs	30,809,344	nil	30,809,344
Exploration expenses	3,310,752	nil	3,310,752
Professional fees	337,474	119,719	217,755
Office and general	260,097	30,715	229,382
Investor relations	261,967	nil	261,967
Net loss	(35,170,982)	(195,396)	(34,975,586)

	For the three months ended October 31, 2020	For the three months ended October 31, 2019	Variance
	(\$)	(\$)	(\$)
Acquisition costs	30,809,344	nil	30,809,344
Exploration expenses	3,140,665	nil	3,310,752
Professional fees	282,475	92,838	189,637
Office and general	121,214	2,225	118,989
Investor relations	261,967	nil	261,967
Net loss	(34,749,167)	(113,069)	(34,636,098)

Results of Operations – 6 months ended October 31, 2020

Acquisition costs and exploration expenses

The Company had acquisition costs of \$30,809,344 and exploration expenses of \$3,310,752 for the six months ended October 31, 2020. Acquisition costs and exploration expenses were higher than in the comparative period due to the acquisition of ARX and the Dugbe Gold Project. Refer to section "3.2 Dugbe Gold Project" above for more details.

Professional Fees

Professional fees consist of legal and audit expenses, consulting fees, and corporate secretary fees. During the six months ended October 31, 2020, professional fees were higher than the comparable period, primarily due to an increase in the cost of legal and consulting fees related to the acquisition of ARX and recent financing activities.

Office and General

The Company had office and general expenses of \$260,097 for the six months ended October 31, 2020. Office and general expenses were higher than in the comparative period due to increased administrative and regulatory expenses related to the acquisition of ARX and recent financing activities.

Investor relations

The Company had investor relations expenses of \$261,967 for the six months ended October 31, 2020. Investor relations expenses were higher than in the comparative period due to the acquisition of ARX and recent financing activities.

Results of Operations – 3 months ended October 31, 2020

Acquisition costs and exploration expenses

The Company had acquisition costs of \$30,809,344 and exploration expenses of \$3,140,665 for the three months ended October 31, 2020. Acquisition costs and exploration expenses were higher than in the comparative period due to the acquisition of ARX and the Dugbe Gold Project. Refer to section "3.2 Dugbe Gold Project" above for more details.

Professional Fees

Professional fees consist of legal and audit expenses, consulting fees, and corporate secretary fees. During the three months ended October 31, 2020, professional fees were higher than the comparable period, primarily due to an increase in the cost of legal and consulting fees related to the acquisition of ARX and recent financing activities.

Office and General

The Company had office and general expenses of \$121,214 for the three months ended October 31, 2020. Office and general expenses were higher than in the comparative period due to increased administrative and regulatory expenses related to the acquisition of ARX and recent financing activities.

Investor relations

The Company had investor relations expenses of \$261,967 for the three months ended October 31, 2020. Investor relations expenses were higher than in the comparative period due to the acquisition of ARX and recent financing activities.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a comparison of the Company's losses and working capital on a quarterly basis for each of the eight most recently completed quarters:

Management's Discussion and Analysis
For the three and six months ended October 31, 2020
(Expressed in Canadian Dollars)

	October 31, 2020 (\$)	July 31, 2020 (\$)	April 30, 2020 (\$)	January 31, 2020 (\$)
Net loss	34,749,167	421,815	54,869	89,437
Net loss per share - basic and diluted	\$0.17	\$0.00	0.00	0.01
Working capital	8,067,786	3,398,287	(45,784)	12,380

	October 31, 2019 (\$)	July 31, 2019 (\$)	April 30, 2019 (\$)	January 31, 2019 (\$)
Net loss (income)	113,069	82,328	1,595,195	(47,358)
Net loss (income) per share - basic and diluted	0.01	0.01	0.22	(0.00)
Working capital	78,189	(254,041)	(179,002)	(41,831)

The Company is still in the exploration phase and thus has not generated any revenues to date.

5. RELATED PARTY TRANSACTIONS

During the three and six months ended October 31, 2020 and 2019, the Company entered into the following transactions with related parties:

Summary compensation of key management:

	Three Months Ended		Six Months Ended	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
	\$	\$	\$	\$
Legal fees ⁽¹⁾	253,421	-	253,421	-
Management fees	37,000	15,000	52,000	33,000
Professional fees	-	16,000	-	31,000
Salaries included in exploration and evaluation expenditures	77,604	-	77,604	-
	368,025	31,000	383,025	64,000

⁽¹⁾ A firm provides to the Company legal services of which a member of the Board of Director of the Company is also a partner of the firm. Fees paid to this firm are included as professional fees and shares issue costs. As at October 31, 2020, the Company has a balance payable for \$33,845 to this firm. The amounts payable are unsecured, non-interest bearing and have no fixed terms of repayment.

Related parties include the Board of Directors and management, close family and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

As at October 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.

6. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position as at October 31, 2020 was \$8,605,427 (April 30, 2020 - \$119,228).

At October 31, 2020, the Company had an accumulated deficit of \$47,880,034 (April 30, 2020 - \$12,709,052), expects to incur further losses in the development of its business, and had a net working capital of \$8,067,786 (April 30, 2020 – deficiency of \$45,784).

Pasofino Gold's financial instruments consists of cash, other receivables and accounts payable and amounts payable and other liabilities. Pasofino Gold estimates that the fair value of its financial instruments approximate its carrying values.

The Company will need to raise sufficient capital to further explore its properties. At this time, the Company will rely on its ability to obtain equity or debt financing for the foreseeable future. Although the Company was successful during the year in obtaining financing, there is no guarantee that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company. See also the discussion under the heading "Risks and Uncertainties" in the MD&A.

7. OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the period.

8. COMMITMENTS

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 as a result of the Company not meeting its expenditure commitments.

The Company is party to certain contracts for the provision of management services to the Company. These contracts contain minimum commitments of \$235,000 due within one year and additional contingent payments of up to \$1,272,000 upon the occurrence of a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these unaudited condensed consolidated interim financial statements.

9. NEW ACCOUNTING STANDARDS ADOPTED BY THE COMPANY

Foreign Currency Translations

Foreign currency transactions are translated into the functional currency of each consolidated entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss. Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not re-translated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The subsidiary has the Canadian dollar as its functional currency, and its operations have been translated into Canadian dollars as follows: assets and liabilities have been translated at the closing rate at the reporting date; expenses have been translated at the average rate over the reporting period. Exchange differences are recognized in other comprehensive income and recognized in profit or loss.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is recognized based on the cost of an item of property and equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Field equipment	20%	Declining balance

New Standards

These new standards and changes adopted on May 1, 2020 did not have any material impact on the Company's unaudited 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.

10. RISKS AND UNCERTAINTIES

The Company's activities expose it 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. 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 October 31, 2020, the Company had cash and taxes and other receivable balances of \$8,747,338 (April 30, 2020 - \$150,472) to settle current liabilities of \$904,263 (April 30, 2020 - \$197,535). All the Company's amounts payable and other 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 October 31, 2020, the Company had a minimal balance in its US bank balance; therefore, any change in the Canadian dollar versus the United States dollar would be insignificant.

11. OUTSTANDING SHARE INFORMATION

<i>As of the date of this MD&A</i>	
Authorized	Unlimited
Common shares, issued and outstanding	275,593,844
Special Warrants ⁽¹⁾ and Broker Options	35,571,000
Warrants	1,203,333
Stock options	275,000
Fully diluted	312,643,177

⁽¹⁾ Each Special Warrants is convertible into 1.1 Unit. Each Unit consists of one (1) common share of the Company, and one-half of one Warrant, with each whole Warrant being exercisable to acquire one Warrant Share at an exercise price of \$0.40 per Warrant Share for a period of 12 months following the closing of the Closing Date.

12. ADDITIONAL INFORMATION

Additional information relating to the Company is available on the SEDAR website at www.sedar.com and on the Company's website located at www.pasofinogold.com.