

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2020**

**FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS**

This report on results for the six months ended May 31, 2020 contains forward-looking information, including forward-looking information about Pacton Gold Inc.'s (the "Company" or "Pacton") operations, estimates, and exploration and acquisition spending.

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

**GENERAL**

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the six months ended May 31, 2020 should be read in conjunction with the condensed consolidated interim financial statements for the six months ended May 31, 2020. This MD&A is effective July 28, 2020. The Company has prepared its condensed consolidated interim financial statements for the six months ended May 31, 2020 in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

Additional information related to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.pactongold.com](http://www.pactongold.com).

**DESCRIPTION OF BUSINESS**

The Company was incorporated pursuant to the British Columbia *Business Corporations Act* on December 15, 2010. On July 17, 2012, the Company's stock was listed on the TSX Venture Exchange ("TSX-V") trading under the symbol "NX". On April 27, 2017, the Company changed its name to Pacton Gold Inc. and began trading under the symbol "PAC". The Company's shares also trade on the OTC Exchange in the United States under the symbol "PACXF" and on the Frankfurt Stock Exchange under the symbol "2NKN".

The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, with a focus on gold.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's project exploration activities, cash flows and liquidity.

The Company's corporate offices were closed in March 2020 as a precaution. Safety protocols have been implemented, and the corporate offices have only re-opened in a limited capacity as of the date of this MD&A. The Company has continued exploration work at a reduced level since March 2020. The Company intends to increase its exploration activity in 2020, subject to any guidance from Canadian provincial and federal governments and Australian state and federal governments. The Company continues to monitor the situation. To date, the Company has not applied for any assistance related to COVID-19 from the Canadian provincial or federal governments.

On June 9, 2020, the Company consolidated its common shares on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidation.

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**EXPLORATION PROJECTS – AUSTRALIA**

Pilbara Project

**CTTR Gold Pty. Ltd. (“CTTR”)**

On March 20, 2018, the Company entered into a share purchase agreement to acquire 100% of the issued and outstanding shares of CTTR, an Australian proprietary limited company. CTTR holds applications to nine tenement licenses for a mineral property group in the Pilbara Region of Western Australia.

Under the terms of the share purchase agreement, the Company acquired 100% of the issued and outstanding shares of CTTR by:

- Paying a \$25,000 non-refundable deposit (paid);
- Paying \$75,000 (paid) and issuing 91,666 common shares (issued and valued at \$238,333) of the Company and 45,833 share purchase warrants (issued and valued at \$64,545). Each warrant is exercisable into one additional common share of the Company for a period of 18 months from the date of issue at a price of \$4.50, upon acceptance of the transaction by the TSX-V (issued on March 29, 2018); and
- Paying \$50,000 (paid) and issuing 41,666 common shares (issued and valued at \$270,833) of the Company and 20,833 share purchase warrants (issued and valued at \$72,034). Each warrant is exercisable into one additional common share of the Company for a period of 18 months from the date of issue at a price to be determined at the date of grant, upon the grant of at least six exploration licenses.

The Company also issued 15,625 common shares valued at \$40,625 as a finder’s fee on the transaction.

The acquisition of CTTR has been accounted for as an acquisition of assets and liabilities, as CTTR does not meet the definition of a business under IFRS 3 *Business Combinations*. The acquisition of the net assets of CTTR was recorded at the fair value of the consideration transferred of \$836,370, as detailed above. The net assets acquired consisted entirely of exploration and evaluation assets.

On January 6, 2020, the Company surrendered all tenement licenses, which resulted in an impairment charge of \$832,177 for the year ended November 30, 2019.

**Arrow (Pilbara) Pty. Ltd. (“Arrow Pilbara”)**

On May 11, 2018, the Company entered into a share purchase and option agreement whereby the Company could earn up to an 80% interest in Arrow Pilbara, an Australian proprietary limited exploration company. Arrow Pilbara holds two granted tenement licenses and two applications for licenses in the Pilbara Region of Western Australia.

Under the terms of the agreement, the Company was required to make cash payments and issue common shares and common share purchase warrants of the Company to acquire a 51% interest in Arrow Pilbara as follows:

- Issue 108,695 common shares (issued and valued at \$695,652) and 108,695 common share purchase warrants (issued and valued at \$583,761) exercisable into one share at \$3.50 for three years and pay \$450,000 (paid).

To acquire a further 29% interest in Arrow Pilbara, the Company was required to:

- Pay \$250,000 or an equivalent number of common shares based on the five-day trailing volume-weighted average price at the time of issue, subject to a floor price of no lower than \$1.90 per common share; and
- Fund exploration expenditures up to a maximum of \$500,000.

The vendor retains a right to explore for, mine and extract lithium, caesium and tantalum from the property.

A discovery bonus of \$500,000 cash is payable if the Company reports a National Instrument (“NI”) 43-101-defined “measured mineral resource” or “inferred mineral resource” of at least 100,000 ounces of gold on the property.

The Company also issued 22,794 common shares valued at \$58,125 as a finder’s fee on the transaction.

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The acquisition of 51% of Arrow Pilbara has been accounted for as an acquisition of assets and liabilities, as Arrow Pilbara does not meet the definition of a business under IFRS 3. The acquisition of the net assets of Arrow Pilbara was recorded at the fair value of the consideration transferred of \$1,637,538, as detailed above. The net assets acquired were as follows:

<b>Net Assets Acquired</b>	
Exploration and evaluation assets	\$ 3,210,860
Non-controlling interest	(1,573,322)
	\$ 1,637,538

On August 20, 2018, the Company entered into a share purchase agreement to acquire the remaining ownership interest in Arrow Pilbara. Under the terms of the agreement, the Company will acquire the remaining 49% ownership interest in Arrow Pilbara by paying \$1,000,000 (paid) and issuing 200,000 common shares (issued and valued at \$820,000).

The purchase of the remaining 49% interest was accounted for as follows:

<b>Acquisition of 49% Interest</b>	
Additional consideration paid	\$ 1,820,000
Elimination of non-controlling interest	(1,573,322)
Loss on acquisition	\$ 246,678

On January 6, 2020, the Company surrendered two tenement licenses, which resulted in an impairment charge of \$636,906 for the year ended November 30, 2019.

**Drummond East Pty. Ltd. (“Drummond East”)**

On August 15, 2018, the Company entered into a share purchase agreement to acquire a 100% interest in Drummond East, an arm's length Australian exploration company wholly owned by Impact Minerals Ltd. (“Impact”). Drummond East holds seven granted tenement licenses in the Pilbara Region of Western Australia.

Under the terms of the agreement, the Company paid Impact a total of \$350,000 and issued 212,500 common shares of the Company to Impact valued at \$860,625.

In addition, the Company will pay a bonus to Impact of \$500,000 if the Company publishes measured, indicated or inferred gold resources of more than 250,000 ounces on the property. The Company granted Impact a 2% net smelter return royalty (“NSR”) in respect of the property. The Company retains an exclusive and unlimited right to purchase back 50% of the NSR from Impact for \$500,000.

The Company paid a finder's fee of 29,187 common shares (issued and valued at \$145,938).

The acquisition of Drummond East has been accounted for as an acquisition of assets and liabilities, as Drummond East does not meet the definition of a business under IFRS 3. The acquisition of the net assets of Drummond East was recorded at the fair value of the consideration transferred of \$1,356,563, as detailed above. The net assets acquired consisted entirely of exploration and evaluation assets.

On January 6, 2020, the Company surrendered three tenement licenses, which resulted in an impairment charge of \$629,073 for the year ended November 30, 2019.

**Friendly Creek**

On August 11, 2018, the Company entered into a tenement sale agreement to acquire 100% of the Friendly Creek exploration license and mining leases in the Pilbara Region of Western Australia.

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Under the terms of the agreement, the Company purchased a 100% interest in Friendly Creek by paying the vendors a total of \$25,000 (paid) and issuing to the vendors 250,000 common shares of the Company (issued on March 15, 2019 and valued at \$562,500).

**Yandicoogina and Boodalyerrie**

On September 25, 2018, the Company entered into a tenement sale agreement to acquire 100% of both the Yandicoogina and Boodalyerrie exploration licenses and mining leases from Gardner Mining Pty. Ltd. (“Gardner Mining”), an Australian proprietary limited exploration company.

Under the terms of the agreement, the Company purchased a 100% ownership interest in projects by paying Gardner Mining \$25,000 (paid) and issuing to Gardner Mining 300,000 common shares of the Company (issued on March 8, 2019 and valued at \$720,000).

**Golden Palms Project**

On November 5, 2018, the Company entered into a tenement sale agreement to acquire the Golden Palms tenement license in Western Australia.

Under the terms of the agreement, Pacton can purchase 100% of the property by paying a total of \$100,000 (paid) and issuing 40,000 common shares on completion of the transaction (issued and valued at \$40,000).

**Hong Kong Project**

On November 23, 2018, the Company entered into a tenement sale agreement to acquire a 70% interest in the Hong Kong project from Clancy Exploration Ltd. (“Clancy”), an Australian Securities Exchange-listed exploration company.

Under the terms of the agreement, the Company purchased a 70% interest in the Hong Kong project by paying Clancy \$200,000 (paid) and issuing to Clancy 378,061 common shares of the Company (issued on December 10, 2018 and valued at \$1,323,215). In addition, the Company issued 30,000 common shares valued at \$82,500 as a finder’s fee on the project.

Upon completion of the acquisition, the Company and Clancy will enter into a joint venture, with Pacton acting as operator of the Hong Kong project. A minimum of Australian (“AUD”) \$520,000 must be spent by the Company within two years of completion of the transaction. Clancy will be free carried with respect to expenditures until a decision to mine is made unanimously by both parties.

**Keras Project**

On October 18, 2018, the Company entered into a grant of gold rights agreement to acquire the conglomerate gold rights of Calidus Resources Ltd. (“Calidus”) in both the Marble Bar sub basin and the northeast Pilbara sub basin of Western Australia’s Pilbara craton.

Under the terms of the agreement, the Company will acquire the gold rights by paying \$10,000 (paid) and issuing Calidus or its nominees 700,000 common shares of the Company (issued on December 5, 2018 and valued at \$1,925,000) and deferred compensation of 300,000 additional common shares of the Company (issued on November 13, 2019 and valued at \$330,000). A minimum of AUD \$55,000 must be spent by the Company on each anniversary of the completion of the transaction.

On January 6, 2020, the Company decided not to pursue further exploration on the project. An impairment charge of \$2,221,479 has been recorded effective November 30, 2019.

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**Tardarina Project**

On March 22, 2019, the Company entered into a tenement sale agreement to acquire the Tardarina tenement license in Western Australia.

Under the terms of the agreement, the Company acquired a 100% interest in the property by issuing 125,000 common shares on completion of the transaction (issued on August 27, 2019 and valued at \$281,250).

**Sandstorm Royalties**

On May 25, 2020, the Company entered into an agreement with Sandstorm Gold Ltd. (“Sandstorm”), whereby the Company granted Sandstorm a 1% NSR on all the tenements owned by Pacton in Australia for \$81,819. The tenements covered are part of Arrow Pilbara, Friendly Creek, Yandicoogina and Boodalyerrie, Golden Palms Project, Hong Kong Project and Tardarina Project above. The Company also assigned its royalty buyback on Drummond East to Sandstorm.

**Exploration on the Pilbara Project**

On October 15, 2018, the Company announced that an advance team of reconnaissance prospectors collected gold nuggets from six locations on Pacton’s Friendly Creek tenements. The gold nuggets were located in weathered material overlying a package of unclassified Mesoarchean ultramafic rocks and komatiitic basalt that extends along the Friendly Creek tenements for approximately ten kilometres. The origin of the gold nuggets, which show various morphological shapes, has not yet been determined. Subject to confirmation by detailed geological mapping, it is assumed that the material has not been transported and that the nuggets represent eluvial material that has been liberated from the underlying bedrock. This tentative interpretation is supported by the reports of historical gold workings from the same geological unit throughout the Friendly Creek tenements and throughout Pacton’s adjacent Hong Kong tenement. Massive areas of the prospective geological formation also underlie the Golden Palms tenement, which is largely unexplored.

On March 12, 2019, the Company announced the commencement of initial fieldwork at the Yandicoogina Project. The work program is targeting high-grade, shear-hosted gold within a number of mineralization settings and will use rock chip sampling and mapping to prioritize targets for drill testing.

On July 12, 2019, the Company announced that prospecting work at the Friendly Creek mining lease has identified primary quartz vein hosted visible gold mineralization.

**EXPLORATION PROJECTS – CANADA**

Red Lake Project

On May 23, 2017, the Company entered into an option agreement to earn a 100% interest in 14 mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Issue 30,000 common shares of the Company (issued and valued at \$42,000) and pay \$16,000 (paid) within five days of approval by the TSX-V, which was received on May 26, 2017;
- Pay \$12,000 on or before May 26, 2018 (paid);
- Pay \$16,000 on or before May 26, 2019 (paid); and
- Pay \$26,000 on or before May 26, 2020 (paid).

The claims are subject to an underlying 2% NSR.

On May 23, 2017, and as amended November 23, 2017, June 14, 2018 and May 22, 2019, the Company entered into an additional option agreement to earn a 100% interest in 30 additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

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- Issue 250,000 common shares of the Company (issued and valued at \$350,000) within five days of approval by the TSX-V, which was received on May 26, 2017;
- Pay \$20,000 on or before June 30, 2018 (paid);
- Pay \$80,000 on or before January 31, 2019 (paid); and
- Pay \$150,000 on or before June 30, 2019 (paid).

The vendors retain a 2.5% NSR, of which two-fifths (1%) can be repurchased by the Company for \$1,500,000.

On November 1, 2018, the Company entered into an option agreement to earn a 100% interest in 12 mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Pay \$15,000 on or before November 6, 2018 (paid);
- Pay \$15,000 (paid on December 4, 2018) and issue 10,000 common shares of the Company (issued and valued at \$25,500) within five days of approval by the TSX-V, which was received November 19, 2018;
- Pay \$40,000 (paid) and issue 7,500 common shares of the Company on or before November 19, 2019 (issued and valued at \$7,875); and
- Pay \$40,000 and issue 7,500 common shares of the Company on or before November 19, 2020.

The vendors retain a NSR that ranges from 0.25% to 2.25%, of which one-half can be repurchased by the Company for \$250,000.

On January 29, 2019, the Company entered into an agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. The Company issued 19,231 common shares on February 6, 2019 valued at \$48,077. The claims are subject to a NSR ranging from 0.25% to 2.25%, of which a portion can be repurchased by the Company for \$250,000.

On February 12, 2019, the Company entered into an agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. The Company paid \$15,000 and on February 28, 2019 issued 7,500 common shares valued at \$19,125. The claims are subject to a 2% NSR, of which one-half can be repurchased by the Company for \$200,000.

On February 20, 2019, the Company entered into an option agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Pay up to \$30,000 on behalf of the vendor for exploration expenditures (paid);
- Issue 12,500 common shares of the Company within five days of approval by the TSX-V, which was received March 5, 2019 (issued on March 6, 2019 and valued at \$31,250);
- Pay \$50,000 (paid) and issue 10,000 common shares of the Company on or before March 5, 2020 (issued on March 4, 2020 and valued at \$8,500); and
- Pay \$50,000 and issue 12,500 common shares of the Company on or before March 5, 2021.

The claims are subject to a 0.25% to 1.75% NSR, of which a portion can be repurchased by the Company at a rate of \$250,000 for each 0.25% portion that is repurchased.

On March 13, 2019, the Company entered into an option agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Pay up to \$40,000 on behalf of the vendor for exploration expenditures (paid);
- Issue 10,000 common shares of the Company within five days of approval by the TSX-V, which was received March 21, 2019 (issued on March 22, 2019 and valued at \$23,000);
- Pay \$50,000 (paid) and issue 10,000 common shares of the Company on or before March 21, 2020 (issued on March 11, 2020 and valued at \$6,000); and
- Pay \$50,000 and issue 12,500 common shares of the Company on or before March 21, 2021.

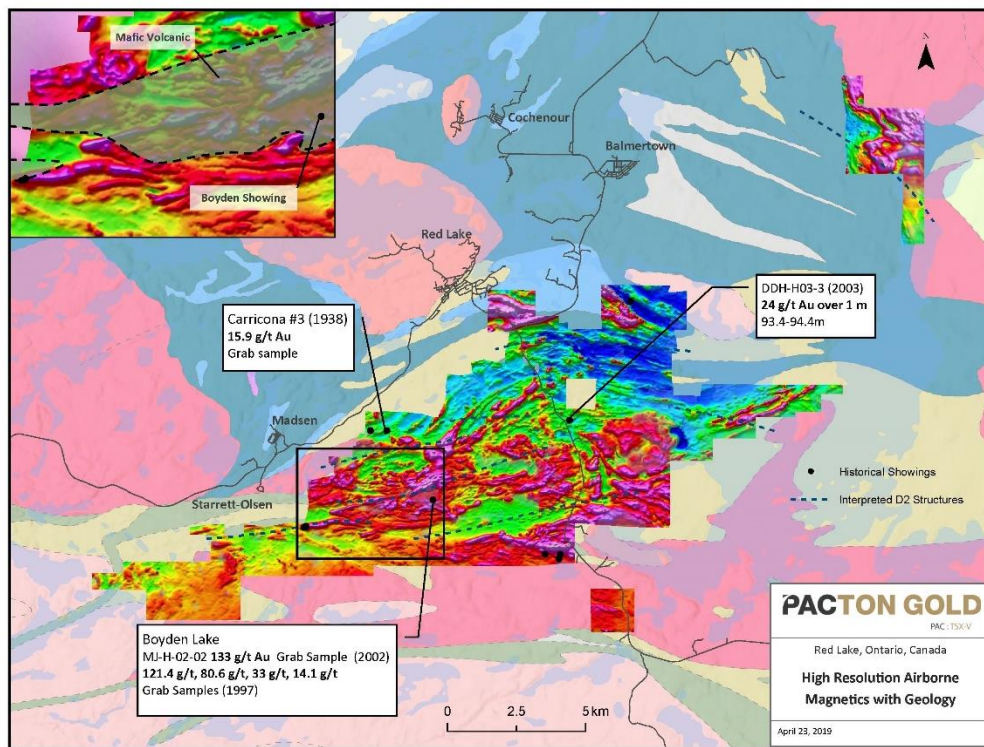
The claims are subject to a 2.5% NSR, of which one-half can be repurchased by the Company for \$2,000,000.

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On April 23, 2019, the Company entered into an option agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Pay \$30,000 (paid) and issue 10,000 common shares of the Company (issued on May 6, 2019 and valued at \$16,500) within five days of approval by the TSX-V, which was received on May 6, 2019;
- Pay \$30,000 and issue 15,000 common shares of the Company on or before May 6, 2020 (issued on May 5, 2020 and valued at \$11,250); and
- Pay \$30,000 on or before May 6, 2021.

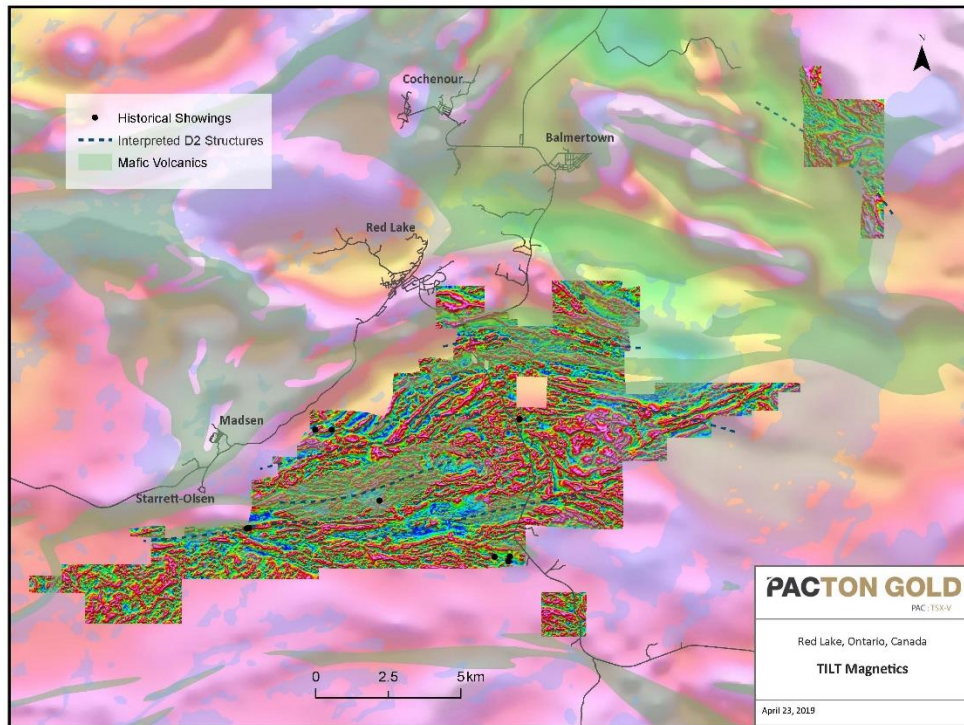
On April 24, 2019, the Company announced the completion of a high resolution airborne magnetic survey at the Red Lake Project. A total of 2,957-line kilometres at a 50-meter (or “m”) line spacing was flown. Initial survey results indicate multiple areas of interest in the form of prominent linear structures containing small-to-large scale folding and faulting (Figure 1 and Figure 2).



**Figure 1.** Pacton’s Red Lake Property with New Magnetic Survey. Inset over western half of property with intensely folded basalt units cut by D2 structures.



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**Figure 2.** Pacton’s Red Lake Property with New Magnetic Survey (Tilt variation) showing detailed structure.

On July 16, 2019, the Company announced that initial surface sampling at the Red Lake Project has returned high-grade values, including 126.5 g/tonne (or “g/t”) Au and 23.3 g/t Au from the Boyden prospect. Sampling is still in progress and additional surface results will be reported as they are received.

On July 23, 2019, the Company entered into two agreements to acquire 100% interests in additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of each agreement, the Company must make a cash payment of \$100,000 and issue 40,000 common shares of the Company upon approval by the TSX-V. A total of \$200,000 was paid and 80,000 common shares were issued on August 12, 2019 and valued at \$140,000.

On October 22, 2019, the Company entered into an option agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Pay \$35,000 (paid) and issue 15,000 common shares of the Company within five days of approval by the TSX-V, which was received November 6, 2019 (issued on November 15, 2019 and valued at \$16,500);
- Pay \$22,500 and issue 15,000 common shares of the Company on or before November 6, 2020;
- Pay \$22,500 and issue 15,000 common shares of the Company on or before November 6, 2021;
- Pay \$22,500 and issue 15,000 common shares of the Company on or before November 6, 2022; and
- Pay \$22,500 and issue 15,000 common shares of the Company on or before November 6, 2023.

The claims are subject to a 0.25% to 2.25% NSR, of which one-half may be repurchased by the Company for \$1,000,000.

On April 1, 2020, the Company entered into a purchase agreement with TomaGold Corporation (“TomaGold”), whereby the Company will acquire all of TomaGold’s interest, being 39.5%, in a joint venture it currently holds with Evolution Mining and Newmont Corporation (formerly GoldCorp when TomaGold entered into the joint venture) on the Sidace Lake Property, located in the Red Lake Mining District in Ontario.



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Under the terms of the agreement, the Company must pay and issue the following to TomaGold:

- Upon final acceptance of the transaction by the TSX-V, pay \$250,000 (paid) and issue 1,000,000 common shares (issued and valued at \$1,000,000);
- Within six months of TSX-V acceptance, pay \$250,000 and issue \$800,000 worth of common shares at a price per share equal to the greater of \$1.60 and the five-day volume weighted average price of the Company's shares immediately preceding the date of issuance; and
- Upon the Company filing a NI 43-101 technical report on the property showing a gold resource estimate of 750,000 ounces or greater of gold, issue 416,666 common shares.

On April 23, 2020, the Company entered into an option agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Pay \$15,000 (paid) and issue 25,000 common shares of the Company on or before April 30, 2020 (issued and valued at \$20,000);
- Pay \$15,000 and issue 15,000 common shares of the Company on or before April 30, 2021; and
- Pay \$25,000 and issue 15,000 common shares of the Company on or before April 30, 2022.

The claims are subject to a 1.5% NSR, of which one-half may be repurchased by the Company for \$500,000.

On April 24, 2020, the Company entered into an option agreement to acquire a 100% interest in additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Pay \$6,000 (paid) and issue 10,000 common shares of the Company on or before April 30, 2020 (issued and valued at \$8,000);
- Pay \$10,000 and issue 10,000 common shares of the Company on or before April 30, 2021; and
- Pay \$20,000 and issue 10,000 common shares of the Company on or before April 30, 2022.

The claims are subject to a 1.5% NSR, of which one-half may be repurchased by the Company for \$400,000.

On May 25, 2020, the Company entered into an agreement with Sandstorm, whereby the Company granted Sandstorm a 0.5% to 1% NSR on all mineral claims owned by the Company in Red Lake, and all mineral claims in which the Company was currently earning an interest in Red Lake. As of May 31, 2020, the Company has received \$81,819 for the mineral claims it owns. Sandstorm has agreed to pay an additional \$136,365 once the Company has earned a 100% interest in the remaining Red Lake mineral claims. The Company also assigned its royalty buybacks on all Red Lake agreements to Sandstorm.

On June 24, 2020, the Company announced the commencement of fieldwork for the 2020 exploration program at its Red Lake gold project in Ontario. Working with AI specialists, Windfall Geotek, Pacton has identified five priority target areas, including the Carricono East target, where recent reconnaissance drilling hit mineralization, including 17.2 g/t Au over 0.5 m at shallow depth (see below). The program will include drilling, as well as regional soil sampling and geophysics. Additionally, the Company is currently in the planning stage with its joint venture partner, Evolution Mining, for the 2020 expansion drill program on the Sidace gold project in the Red Lake district.

The first phase of drilling on the Red Lake gold Project was completed, with highlights including a near surface interval of 17.2 g/t Au over 0.5 m at Carricono and the successful delineation of interpreted structure through the MD Corridor South Fault. The first phase of drilling began at Carricono due to the surface showing present and ease of access while the LP extension fault locations required access trails to be established. The interpreted LP extension has been consistently identified in drilling along a 5 kilometre length, marked by intense silicification and quartz vein stockworks with variable amounts of sulphide mineralization. A series of 10 stratigraphic holes were drilled across the interpreted location of the southern LP fault extension. All of the holes encountered a well-developed fault and variable widths of associated alteration, quartz veining and sulphide mineralization with no significant elevated Au values. A further three holes were completed along the northern parallel fault and are awaiting final ICP analysis due to the presence of sphalerite and broad alteration as pictured below. Phase 2 drilling, which is scheduled to begin in late August, will continue to vector in on potential Au targets within the Madsen-Dixie Fault corridor, building on phase 1 drilling in combination with further geophysical, summer ground programs and AI targets, as described above.

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On July 23, 2020, the Company announced a new expansion drill program at the Sidace JV project in Red Lake. Pacton (39.5% interest) and JV partner, Evolution Mining (60.5% interest), have approved a \$2.44 million exploration program that includes 11,500 m of drilling, together with re-logging and re-sampling historic drill core and geophysics. Both Pacton and Evolution Mining will be contributing to the program budget, and Pacton will run the program as Operator.

#### Tully West Gold Property

On January 16, 2017, the Company entered into an option agreement to earn a 100% interest in the Tully West Gold Property, located in Ontario. On January 18, 2018, certain terms were amended. Under the terms of the amended agreement, the Company was required to make cash payments and issue common shares of the Company as follows:

- Issue 130,000 common shares of the Company (issued on January 25, 2017 and valued at \$117,000) and pay \$25,000 (paid) within five days of approval by the TSX-V, which was received January 25, 2017;
- Issue 130,000 common shares of the Company on or before January 25, 2018 (issued on January 25, 2018 and valued at \$390,000);
- Pay \$80,000 on or before February 15, 2018 (paid); and
- Issue 130,000 common shares of the Company (issued on July 24, 2018 and valued at \$793,000) and pay \$110,000 (paid) on or before January 25, 2019.

The Company completed an equity financing for gross proceeds in excess of \$1,000,000 (excluding flow-through proceeds), thus the January 25, 2019 common share and cash payments were accelerated.

On December 12, 2018, the agreement was amended to extend the exploration expenditure deadlines. The Company was required to pay an additional \$10,000 on or before January 12, 2019 (paid). The Company was then required to incur exploration expenditures as follows:

- \$250,000 on or before January 16, 2018 (incurred);
- An additional \$500,000 on or before January 25, 2020; and
- An additional \$500,000 on or before January 25, 2021.

The vendors retained a 2.5% NSR, of which two-fifths (1%) could be repurchased by the Company for an aggregate \$1,000,000.

The Company did not incur the required exploration expenditures on the Tully West Gold Property by January 25, 2020. Accordingly, the Company recorded an impairment charge of \$2,246,986 at November 30, 2019.

## **RESULTS OF OPERATIONS**

### **Three Months Ended May 31, 2020**

During the three months ended May 31, 2020, the Company reported a net loss of \$519,918 (2019 - \$643,843). The Company's loss included expenditures as follows:

- Consulting fees of \$319,967 (2019 - \$262,813) were higher due to an increase in the use of consultants;
- Management fees of \$22,500 (2019 - \$45,000) were lower due to lower fees charged by the CEO;
- Office and miscellaneous of \$45,127 (2019 - \$79,821) decreased due to a decrease in travel expenses for the quarter;
- Professional fees of \$108,901 (2019 - \$99,412) were higher due to an increase in legal fees;
- Rent of \$21,000 (2019 - \$10,000) increased from the prior period due to temporary equipment storage space in the current period, as well as an increase in rental rates;
- Share-based payments of \$nil (2019 - \$24,524) were the result of stock options granted in the prior period;
- Shareholder communications and investor relations of \$149,411 (2019 - \$130,919) were higher in the current period due to an increase in services being used and an increase in promotional activities;
- Transfer agent and filing fees of \$16,517 (2019 - \$15,939) were comparable to the prior period; and
- Other income of \$160,691 (2019 - \$24,608) increased compared to the prior period as a result of increased exploration and evaluation expenditures on the Company's December 2018, July 2019 and December 2019 flow-through financings.

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**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2020**

**Six Months Ended May 31, 2020**

During the six months ended May 31, 2020, the Company reported a net loss of \$1,199,234 (2019 - \$1,241,437). The Company's loss included expenditures as follows:

- Consulting fees of \$668,928 (2019 - \$496,729) were higher due to an increase in the use of consultants;
- Management fees of \$45,000 (2019 - \$90,000) were lower due to lower fees charged by the CEO;
- Office and miscellaneous of \$215,649 (2019 - \$138,961) increased due to an increase in travel expenses for the period;
- Professional fees of \$192,823 (2019 - \$214,633) were lower due to a decrease in legal fees;
- Rent of \$42,333 (2019 - \$19,000) increased from the prior period due to temporary equipment storage space in the current period, as well as an increase in rental rates;
- Share-based payments of \$nil (2019 - \$60,234) were the result of stock options granted in the prior period;
- Shareholder communications and investor relations of \$347,026 (2019 - \$235,652) were higher in the current period due to an increase in services being used and an increase in promotional activities;
- Transfer agent and filing fees of \$46,223 (2019 - \$47,650) were comparable to the prior period;
- Part XII.6 tax of \$16,614 (2019 - \$nil) was a result of flow-through proceeds renounced under the Look-back Rule in relation to the Company's December 2018 flow-through financing; and
- Other income of \$366,619 (2019 - \$59,862) increased compared to the prior period as a result of increased exploration and evaluation expenditures on the Company's December 2018, July 2019 and December 2019 flow-through financings.

**SELECTED ANNUAL INFORMATION**  
**(\$000s, except loss per share)**

	November 30, 2019 \$	November 30, 2018 \$	November 30, 2017 \$
Revenue	-	-	-
Net loss	(10,674)	(7,065)	(1,650)
Basic and diluted loss per common share	(0.07)	(0.10)	(0.03)
Total assets	12,500	9,408	1,837
Long-term debt	-	-	-
Dividends	-	-	-

**SUMMARY OF QUARTERLY RESULTS**  
**(\$000s, except earnings per share)**

Results for the eight most recently completed quarters are summarized as follows:

For the periods ending	May 31, 2020 \$	February 29, 2020 \$	November 30, 2019 \$	August 31, 2019 \$
Revenue	-	-	-	-
Net loss	(520)	(679)	(7,379)	(2,054)
Basic and diluted loss per common share	(0.02)	(0.03)	(0.41)	(0.16)
Total assets	19,173	16,998	12,500	19,770
Non-current financial liabilities	-	-	-	-

**PACTON GOLD INC.**  
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For the periods ending	May 31, 2019 \$	February 28, 2019 \$	November 30, 2018 \$	August 31, 2018 \$
Revenue	-	-	-	-
Net loss	(644)	(598)	(1,889)	(2,066)
Basic and diluted loss per common share	(0.05)	(0.06)	(0.20)	(0.22)
Total assets	15,040	14,276	9,408	10,440
Non-current financial liabilities	-	-	-	-

**LIQUIDITY AND CAPITAL RESOURCES**

The Company had cash of \$2,725,212 and working capital of \$2,978,544 at May 31, 2020, compared to \$905,356 of cash and \$337,213 of working capital at November 30, 2019.

The Company's accounts payable and accrued liabilities at May 31, 2020 were \$227,508 (November 30, 2019 - \$491,992).

The Company has taken the following measures to address working capital concerns during the 2020 fiscal period, and as of the date of this MD&A:

- On December 23, 2019 and January 17, 2020, the Company closed a private placement in two tranches. The Company issued 1,322,733 units at a price of \$1.20 per unit for gross proceeds of \$1,587,280. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$1.80 for a period of two years from the date of issuance. The Company also issued 3,173,758 flow-through common shares at a price of \$1.30 per share for gross proceeds of \$4,125,886.
- On June 25, 2020 and July 10, 2020, the Company closed a private placement in two tranches. The Company issued 2,773,000 common shares at a price of \$0.70 per share and 2,856,226 common shares at a price of \$0.70 per share for gross proceeds of \$3,940,458. The Company also issued 1,300,000 flow-through common shares at a price of \$0.77 per share and 2,122,000 flow-through common shares at a price of \$0.79 for gross proceeds of \$2,677,380.

The Company will need to obtain additional financing for working capital purposes and to continue exploration on its exploration and evaluation assets for the 2021 fiscal year.

At May 31, 2020, the Company had a remaining commitment to incur exploration expenditures of \$nil (November 30, 2019 - \$1,797,565) and \$3,254,558 (November 30, 2019 - \$nil) in relation to its July 2019 and December 2019 flow-through share financings, respectively. Included in prepaid expenses and deposits is \$497,200 (November 30, 2019 - \$300,110) of exploration expenditures paid but not yet incurred.

**EVENTS SUBSEQUENT TO MAY 31, 2020**

See **Liquidity and Capital Resources** for private placements.

On July 7, 2020, 47,250 agent warrants expired unexercised.

On July 24, 2020, the Company granted 1,750,000 stock options exercisable at a price of \$1.33 per share for a period of three years to directors, officers and consultants.

**TRANSACTIONS WITH RELATED PARTIES**

These amounts of key management compensation are included in the amounts shown on the condensed consolidated interim statements of comprehensive loss and were incurred in the normal course of operations:

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	Six Months Ended May 31, 2020	Six Months Ended May 31, 2019
Short-term compensation	\$ 303,000	\$ 265,000

Short-term compensation was paid or accrued as follows:

- \$45,000 (2019 - \$90,000) in management fees to a private company controlled by the interim CEO;
- \$53,000 (2019 - \$50,000) in professional fees to a private company in which the CFO is a director;
- \$90,000 (2019 - \$65,000) in exploration and evaluation assets to a director; and
- \$115,000 (2019 - \$60,000) in exploration and evaluation assets to a director.

Transactions with related parties are included in the amounts shown on the condensed consolidated interim statements of comprehensive loss:

	Six Months Ended May 31, 2020	Six Months Ended May 31, 2019
Related company with a common officer (rent)	\$ 30,000	\$ 19,000
Related company with a common director (geological fees included in exploration and evaluation assets)	\$ 60,000	\$ -

As at May 31, 2020, the Company has outstanding amounts payable to current and former officers and directors of the Company of \$8,500 (November 30, 2019 - \$113,065) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

#### COMMITMENTS

The Company is obligated to make certain payments and issue shares in connection with the acquisition of its exploration and evaluation assets.

See **Liquidity and Capital Resources** for the Company's flow-through share expenditure commitments.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

#### FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and cash equivalents, as fair value through profit or loss; receivables, as amortized cost; and accounts payable and accrued liabilities, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy:

May 31, 2020	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,725,212	\$ -	\$ -	\$ 2,725,212

November 30, 2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 905,356	\$ -	\$ -	\$ 905,356

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and

# **PACTON GOLD INC.**

## **Management Discussion and Analysis**

### **For the Six Months Ended May 31, 2020**

- Market risk.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is \$200,609 (November 30, 2019 - \$125,293) owing from the Canada Revenue Agency and the Australian Taxation Office. The Company has minimal credit risk.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of May 31, 2020 equal \$227,508 (November 30, 2019 - \$491,992). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of May 31, 2020.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

- i) Currency risk* – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has operations in Canada and Australia and incurs operating and exploration expenditures in both currencies. The fluctuation of the Canadian dollar in relation to the Australian dollar will have an impact upon the results of the Company. The Company does not hold substantial funds in a foreign currency, and only a small amount of its accounts payable and accrued liabilities is denominated in Australian dollars. A fluctuation in the exchange rates between the Canadian and Australian dollars of 10% would result in a \$6,300 change in the Company's cash, \$nil change in accounts payable and accrued liabilities and \$800 change in other comprehensive income (loss). The Company does not use any techniques to mitigate currency risk.
- ii) Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.
- iii) Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

#### Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.



# **PACTON GOLD INC.**

## **Management Discussion and Analysis**

### **For the Six Months Ended May 31, 2020**

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended May 31, 2020. The Company is not subject to externally imposed capital requirements.

#### **RISKS**

The Company, and the securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's securities.

There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This will result in further dilution to the Company's shareholders.

The Company has a very limited history of operations, is in the early stage of development, and has received no revenues other than insignificant interest revenues following its transition to a mineral exploration and development company. As such, the Company is subject to many risks common to such enterprises. There can be no assurance that the Company will be able to obtain adequate financing in the future or, if available, that the terms of such financing will be favourable. The Company does not anticipate paying any dividends in the near future.

Although the Company has taken steps to verify the title to mineral properties in which it has acquired an interest, no assurance whatsoever can be given that the Company's interests may not be challenged by third parties. If challenged, and if the challenge is sustained, it will have an adverse effect on the business of the Company. Title to mineral properties may be subject to unregistered prior agreements or transfers and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

The exploration of mineral properties involves significant risks, which even experience, knowledge and careful evaluation may not be able to avoid. The price of metals has fluctuated widely, particularly in recent years, as it is affected by numerous factors that are beyond the Company's control, including international economic and political trends, expectations of inflation or deflation, currency exchange fluctuations, interest rate fluctuations, global or regional consumptive patterns, speculative activities and increased production due to new extraction methods. The effect of these factors on the price of metals, and therefore, the economic viability of the Company's interests in the mineral properties cannot be accurately predicted. Furthermore, changing conditions in the financial markets, and Canadian income tax legislation may have a direct impact on the Company's ability to raise funds for exploration expenditures. A drop in the availability of equity financings will likely impede spending. As a result of all these significant risks, it is quite possible that the Company may lose its investments in the Company's mineral property interests.

#### **CRITICAL ACCOUNTING ESTIMATES**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next fiscal year are included in note 5 of the consolidated financial statements.

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**FUTURE ACCOUNTING STANDARDS**

For details of the Company's future accounting standards, including accounting standards not yet adopted and accounting standards amended but not yet effective, please refer to note 4 of the Company's consolidated financial statements.

**DISCLOSURE OVER INTERNAL CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no significant changes to the Company's internal control environment during the six months ended May 31, 2020 that would have materially affected the Company's internal controls over financial reporting.

The Company's certifying officers concluded that the Company's internal disclosure controls and procedures are effective and sufficient to execute its business plan.

**OUTSTANDING SHARE INFORMATION**

	<b>July 28, 2020</b>	<b>May 31, 2020</b>	<b>November 30, 2019</b>
Common shares	33,025,019	23,973,793	18,367,302
Warrants	3,816,487	3,816,487	2,514,588
Agent warrants	279,526	228,848	212,594
Stock options	3,295,000	1,545,000	1,545,000
Fully diluted shares	40,416,032	29,564,128	22,639,484