

# **PACTON GOLD INC.**

## **Condensed Consolidated Interim Financial Statements**

For the Six Months Ended May 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars)

# **PACTON GOLD INC.**

May 31, 2022 and 2021

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed consolidated interim financial statements by an entity's auditor.

July 25, 2022

# PACKTON GOLD INC.

## Condensed Consolidated Interim Statements of Financial Position (Expressed in Canadian Dollars)

	May 31, 2022	November 30, 2021
	(Unaudited)	
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,817,099	\$ 2,088,868
Marketable securities (note 7)	1,786,932	3,567,740
Receivables	567,324	557,546
Prepaid expenses (note 12)	287,230	23,183
	6,458,585	6,237,337
<b>Equipment</b> (note 8)	20,571	22,857
<b>Exploration and Evaluation Assets</b> (notes 8, 9 and 12)	19,026,493	17,395,747
	\$ 25,505,649	\$ 23,655,941
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 12)	\$ 102,752	\$ 171,904
Other liabilities (note 10)	521,226	37,470
	623,978	209,374
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 11)	56,724,164	52,811,277
<b>Share-based Payments Reserve</b> (note 11)	3,021,713	3,028,323
<b>Deficit</b>	(34,708,991)	(32,239,593)
<b>Accumulated Other Comprehensive Loss – Cumulative Translation Adjustments</b>	(155,215)	(153,440)
	24,881,671	23,446,567
	\$ 25,505,649	\$ 23,655,941

### Going Concern (note 2)

Approved on behalf of the Board:

<i>“Richard Boulay”</i>	<i>“Alec Pismiris”</i>
..... Director	..... Director
Richard Boulay	Alec Pismiris

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**PACTON GOLD INC.**

Condensed Consolidated Interim Statements of Comprehensive Loss  
For the Six Months Ended May 31,  
(Unaudited – Expressed in Canadian Dollars)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>May 31,</b>	<b>May 31,</b>	<b>May 31,</b>	<b>May 31,</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Expenses</b>				
Consulting fees (note 12)	\$ 189,082	\$ 336,706	\$ 335,788	\$ 648,180
Foreign exchange loss (gain)	-	-	13	(78)
Management fees (note 12)	22,500	22,500	45,000	45,000
Office and miscellaneous (note 12)	58,560	23,531	80,806	79,406
Professional fees (note 12)	63,540	77,616	102,877	145,021
Rent (note 12)	24,000	28,000	48,000	58,000
Shareholder communications and investor relations	44,219	87,332	81,754	189,535
Transfer agent and filing fees	7,076	8,248	17,860	28,451
	(408,977)	(583,933)	(712,098)	(1,193,515)
<b>Other Items</b>				
Impairment of exploration and evaluation assets (note 9)	(54,900)	-	(54,900)	-
Part XII.6 tax (note 10)	-	-	-	(35,858)
Interest income	3,233	7,924	3,233	12,324
Other income (note 10)	23,731	116,957	31,244	295,721
Gain (loss) on marketable securities (note 7)	(628,451)	195,308	(1,749,930)	195,308
Loss on disposal of exploration and evaluation assets (note 9)	-	(168,043)	-	(168,043)
<b>Net Loss for the Period</b>	(1,065,364)	(431,787)	(2,482,451)	(894,063)
<b>Other Comprehensive Income (Loss)</b>				
Exchange difference on translating foreign operations	(6,927)	(140,485)	(1,775)	33,624
<b>Comprehensive Loss for the Period</b>	\$ (1,072,291)	\$ (572,272)	\$ (2,484,226)	\$ (860,439)
<b>Basic and Diluted Loss Per Share</b>	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.02)
<b>Weighted Average Number of Common Shares Outstanding – Basic and Diluted</b>				
	49,822,419	37,483,215	45,617,420	37,144,124

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## PACKTON GOLD INC.

### Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited – Expressed in Canadian Dollars)

	Capital Stock			Share-based Payments Reserve	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
	Number of Shares	Capital Stock					
<b>Balance, November 30, 2020</b>	<b>33,573,019</b>	<b>\$ 47,234,016</b>	<b>\$ 5,890,785</b>	<b>\$ (32,367,786)</b>	<b>\$ (215,986)</b>	<b>\$ 20,541,029</b>	
Private placements	3,817,778	3,637,000	-	-	-	3,637,000	
Share issuance costs	-	(81,306)	16,707	-	-	(64,599)	
Flow-through liability	-	(201,000)	-	-	-	(201,000)	
Shares issued for exploration and evaluation assets	95,000	78,925	-	-	-	78,925	
Shares issued for transaction costs	100,000	139,000	-	-	-	139,000	
Expiry of stock options	-	-	(1,109,786)	1,109,786	-	-	
Expiry of warrants	-	-	(960,266)	960,266	-	-	
Net loss for the period	-	-	-	(894,063)	-	(894,063)	
Exchange difference on translating foreign operations	-	-	-	-	33,624	33,624	
<b>Balance, May 31, 2021</b>	<b>37,585,797</b>	<b>50,806,635</b>	<b>3,837,440</b>	<b>(31,191,797)</b>	<b>(182,362)</b>	<b>23,269,916</b>	
Private placements	3,718,180	2,044,999	-	-	-	2,044,999	
Share issuance costs	-	(10,975)	-	-	-	(10,975)	
Flow-through liability	-	(37,182)	-	-	-	(37,182)	
Shares issued for exploration and evaluation assets	15,000	7,800	-	-	-	7,800	
Expiry of stock options	-	-	(728,665)	728,665	-	-	
Expiry of warrants	-	-	(80,452)	80,452	-	-	
Net loss for the period	-	-	-	(1,856,913)	-	(1,856,913)	
Exchange difference on translating foreign operations	-	-	-	-	28,922	28,922	
<b>Balance, November 30, 2021</b>	<b>41,318,977</b>	<b>52,811,277</b>	<b>3,028,323</b>	<b>(32,239,593)</b>	<b>(153,440)</b>	<b>23,446,567</b>	
Private placements	13,163,333	4,464,000	-	-	-	4,464,000	
Share issuance costs	-	(36,113)	6,443	-	-	(29,670)	
Flow-through liability	-	(515,000)	-	-	-	(515,000)	
Expiry of warrants	-	-	(13,053)	13,053	-	-	
Net loss for the period	-	-	-	(2,482,451)	-	(2,482,451)	
Exchange difference on translating foreign operations	-	-	-	-	(1,775)	(1,775)	
<b>Balance, May 31, 2022</b>	<b>54,482,310</b>	<b>\$ 56,724,164</b>	<b>\$ 3,021,713</b>	<b>\$ (34,708,991)</b>	<b>\$ (155,215)</b>	<b>\$ 24,881,671</b>	

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**PACTON GOLD INC.**

Condensed Consolidated Interim Statements of Cash Flows  
For the Six Months Ended May 31,  
(Unaudited – Expressed in Canadian Dollars)

	<b>2022</b>	<b>2021</b>
<b>Operating Activities</b>		
Net loss	\$ (2,482,451)	\$ (894,063)
Items not involving cash		
Other income	(31,244)	(295,721)
Foreign exchange loss (gain)	13	(78)
Loss (gain) on marketable securities	1,749,930	(195,308)
Loss on sale of exploration and evaluation assets	-	168,043
Impairment of exploration and evaluation assets	54,900	-
Changes in non-cash working capital		
Receivables	(109,778)	(376,270)
Prepaid expenses	(264,047)	45,991
Accounts payable and accrued liabilities	(80,965)	(154,019)
<b>Cash Used in Operating Activities</b>	<b>(1,163,642)</b>	<b>(1,701,425)</b>
<b>Investing Activities</b>		
Proceeds on sale of marketable securities	30,878	-
Exploration and evaluation assets, net of recoveries	(1,673,392)	(3,633,709)
Sale of exploration and evaluation assets	100,000	500,000
<b>Cash Used in Investing Activities</b>	<b>(1,542,514)</b>	<b>(3,133,709)</b>
<b>Financing Activity</b>		
Net proceeds from share issuances	4,434,330	3,572,401
<b>Cash Provided by Financing Activity</b>	<b>4,434,330</b>	<b>3,572,401</b>
<b>Inflow (Outflow) of Cash and Cash Equivalents</b>	<b>1,728,174</b>	<b>(1,262,733)</b>
<b>Effect of Foreign Exchange on Cash and Cash Equivalents</b>	<b>57</b>	<b>(2,529)</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>2,088,868</b>	<b>2,721,339</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 3,817,099</b>	<b>\$ 1,456,077</b>

**Supplemental Disclosure with Respect to Cash Flows** (note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# **PACTON GOLD INC.**

## Notes to the Condensed Consolidated Interim Financial Statements

For the Six Months Ended May 31, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars)

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

Pacton Gold Inc. (the “Company” or “Pacton”) was incorporated pursuant to the British Columbia *Business Corporations Act* on December 15, 2010. 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 operates in Canada and Australia. 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 principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired. The Company is an exploration stage company and is in the process of acquiring and exploring its mineral property interests.

### **2. GOING CONCERN**

These condensed consolidated interim financial statements (the “financial statements”) have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a loss during the six months ended May 31, 2022 of \$2,482,451 (2021 - \$894,063) and as at May 31, 2022 has a deficit of \$34,708,991 (November 30, 2021 - \$32,239,593), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations.

In March 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company’s operations.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. In response to the military action by Russia, various countries, including Canada, issued broad-ranging economic sanctions against Russia. The ramifications of the hostilities and sanctions may not be limited to Russia and Ukraine and may spill over to and negatively impact other regional and global economic markets and on various sectors, industries, and markets for securities and commodities globally. While the Company expects any direct impacts to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could impact the Company’s cash flows and liquidity.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.



## PACTON GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements  
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### 2. GOING CONCERN (Continued)

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements, then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

### 3. BASIS OF PREPARATION

#### a) Statement of compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements of the Company should be read in conjunction with the Company's 2021 annual consolidated financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 25, 2022.

#### b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies (note 4). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

#### c) Subsidiaries

These financial statements include all subsidiaries in the accounts of the Company for the periods presented. These subsidiaries are listed as follows:

<b>Subsidiary</b>	<b>Ownership May 31, 2022</b>	<b>Ownership November 30, 2021</b>	<b>Incorporated</b>	<b>Nature</b>
Pacton Pilbara Pty. Ltd.	100%	100%	Australia	Mineral exploration
Drummond East Pty. Ltd. ("Drummond East")	100%	100%	Australia	Mineral exploration
Arrow (Pilbara) Pty. Ltd. ("Arrow Pilbara")	100%	100%	Australia	Mineral exploration

## **PACTON GOLD INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
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### **3. BASIS OF PRESENTATION (Continued)**

#### c) Subsidiaries (continued)

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

The condensed consolidated interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 4 to the audited consolidated financial statements for the year ended November 30, 2021.

### **5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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 or 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.

#### *Critical judgments in applying accounting policies*

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 financial statements within the next financial year are discussed below.

#### a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### b) Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in note 2.

#### c) Joint arrangement

Significant judgment is required in determining whether the Company's interest in arrangements constitutes a joint arrangement. The Company has not, after considering the structure and form of the arrangement and the terms agreed by the parties in the contractual arrangement and the Company's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11 *Joint Arrangements*. Consequently, it accounts for its interest under IFRS 6 *Exploration for and Evaluation of Mineral Resources*.

## PACKTON GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Months Ended May 31, 2022 and 2021  
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### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### *Key sources of estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Impairment of exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation expenditures and impairment of the capitalized expenditures requires assumptions about future events or circumstances and whether it is likely that future economic benefits will flow to the Company. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available. In the current year, estimates were involved in determining the carrying value of exploration and evaluation assets, particularly the Friendly Creek and Golden Palm agreements within the Pilbara Project, which were adjusted to an estimated recoverable amount of \$500,000. The recoverable amount is its fair value less costs of disposal, determined using Level 3 inputs within the fair value hierarchy. These estimates and the related uncertainty could impact the carrying value of exploration and evaluation assets next year.

b) Credit risk

The Company's determination of whether the credit risk for the proceeds receivable for the sale of the Arrow Pilbara, Yandicoogina and Boodalyerrie properties (note 9(a) – Pilbara Project) has increased significantly since its initial recognition and requires judgment regarding the ability of other parties to discharge financial obligations. In the current year, expected credit loss is estimated to be \$nil. These estimates and the related uncertainty could impact the carrying value of receivables next year.

### 6. 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 and marketable securities, as fair value through profit or loss ("FVTPL"); 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 assets measured at fair value by level within the fair value hierarchy:

May 31, 2022	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,817,099	\$ -	\$ -	\$ 3,817,099
Marketable securities	1,786,932	-	-	1,786,932
	\$ 5,604,031	\$ -	\$ -	\$ 5,604,031

## PACTON GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Months Ended May 31, 2022 and 2021  
(Unaudited – Expressed in Canadian Dollars)

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### 6. FINANCIAL INSTRUMENTS (Continued)

November 30, 2021	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,088,868	\$ -	\$ -	\$ 2,088,868
Marketable securities	2,826,863	740,877	-	3,567,740
	\$ 4,915,731	\$ 740,877	\$ -	\$ 5,656,608

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

- Credit risk;
- Liquidity risk; and
- Market risk.

a) 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 and cash equivalents, by placing it at major Canadian financial institutions. Included in receivables is \$167,240 (November 30, 2021 - \$57,546) owing from the Canada Revenue Agency and the Australian Taxation Office. The remaining \$400,084 (November 30, 2021 - \$500,000) is owing from the purchaser of the 75% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property (note 9(a) – Pilbara Project). The Company has minimal credit risk.

b) 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, 2022 equal \$102,752 (November 30, 2021 - \$171,904). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of May 31, 2022.

c) 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 (“AUD”) will have an impact upon the results of the Company. The Company holds a material amount of marketable securities, a small amount of cash, and accounts payable and accrued liabilities denominated in AUD. A fluctuation in the exchange rate between the Canadian and Australian dollars of 10% would result in a \$1,700 change in the Company's cash, \$200 change in accounts payable and accrued liabilities, \$178,700 change in marketable securities and \$13,900 change in other comprehensive income (loss). The Company does not use any techniques to mitigate currency risk.

## **PACTON GOLD INC.**

Notes to the Condensed Consolidated Interim Financial Statements  
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### **6. FINANCIAL INSTRUMENTS (Continued)**

#### c) Market risk (continued)

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 exposed to price risk on its marketable securities.

#### d) 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.

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, 2022. The Company is not subject to externally imposed capital requirements.

### **7. MARKETABLE SECURITIES**

During the year ended November 30, 2021, the Company sold a 75% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property (note 9(a) – Pilbara Project) and received 129,721,250 common shares of Raiden Resources Limited ("Raiden"), a company listed on the Australian Securities Exchange (valued at \$2,327,503 based on the trading price on February 19, 2021 and net of their put option value for a six-month hold period).

During the year ended November 30, 2021, the Company sold the remaining 25% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property (note 9(a) – Pilbara Project) and received 36,338,315 common shares of Raiden (valued at \$723,695 based on the trading price on June 18, 2021 and net of their put option value for a six-month hold period).

Following the sale, a director of the Company was appointed as a director of Raiden.

During the six months ended May 31, 2022, the Company sold 1,582,088 (2021 - nil) shares of Raiden for a realized loss of \$6,785 (2021 - \$nil) and the put option expired resulting in a realized gain of \$223,979.

## PACKTON GOLD INC.

Notes to the Condensed Consolidated Interim Financial Statements  
For the Six Months Ended May 31, 2022 and 2021  
(Unaudited – Expressed in Canadian Dollars)

### 7. MARKETABLE SECURITIES (Continued)

The Company recorded unrealized loss on investments of \$1,749,930 (2021 - \$nil) during the six months ended May 31, 2022, which is included in the condensed consolidated interim statement of comprehensive loss. The marketable securities are carried at FVTPL. The market value is based on the quoted closing price of the securities at May 31, 2022, less their put option value for the remaining hold period.

Marketable securities at May 31, 2022 consisted of the following:

	Shares	Cost	Market Value
Raiden Resources Limited	164,035,075	\$ 3,987,572	\$ 1,786,932

Marketable securities at November 30, 2021 consisted of the following:

	Shares	Cost	Market Value
Raiden Resources Limited	129,278,848	\$ 3,077,561	\$ 2,826,863
Raiden Resources Limited (net of put option)	36,338,315	723,695	740,877
	165,617,163	\$ 3,801,256	\$ 3,567,740

### 8. EQUIPMENT

	Furniture and Equipment
Cost	
<b>Balance, November 30, 2020</b>	<b>\$ 153,145</b>
Disposals	(101,453)
<b>Balance, November 30, 2021 and May 31, 2022</b>	<b>\$ 51,692</b>
Accumulated Depreciation	
<b>Balance, November 30, 2020</b>	<b>\$ 42,397</b>
Depreciation*	22,150
Disposals	(35,712)
<b>Balance, November 30, 2021</b>	<b>28,835</b>
Depreciation**	2,286
<b>Balance, May 31, 2022</b>	<b>\$ 31,121</b>
<b>Net Book Value, November 30, 2021</b>	<b>\$ 22,857</b>
<b>Net Book Value, May 31, 2022</b>	<b>\$ 20,571</b>

\* \$22,150 capitalized to exploration and evaluation assets

\*\* \$2,286 capitalized to exploration and evaluation assets

## PACTON GOLD INC.

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### 9. EXPLORATION AND EVALUATION ASSETS

#### a) Pilbara Project

##### 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 \$500,000 (paid \$400,000), with remaining due upon grant of application. On January 7, 2020, the outstanding \$100,000 payment was renegotiated down to \$45,995 and 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.

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 *Business Combinations*. 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)
	<b>\$ 1,637,538</b>

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 acquired 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).

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### 9. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Pilbara Project (continued)

**Arrow Pilbara** (continued)

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.

On February 16, 2021, the Company sold a 75% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property. The Company received \$500,000 and 129,721,250 common shares of Raiden, a company listed on the Australian Securities Exchange (valued at \$2,327,503 based on the trading price on February 19, 2021 and net of their put option value for a six-month hold period). The Company will receive a further \$500,000 by the following schedule:

- \$100,000 by March 21, 2022 (received);
- \$125,000 by May 31, 2022 (received subsequent to May 31, 2022);
- \$125,000 by August 31, 2022; and
- \$150,000 by November 30, 2022.

The Company retained a 25% carried interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property until the delineation of a mineral resource in accordance with the Joint Ore Reserves Committee 2012 guidelines (or other globally recognized code) of at least 250,000 ounces gold at a minimum grade of one gram per tonne gold across any of the properties. Following that, the parties would be required to enter into a joint venture, under which the Company could contribute proportional to its respective equity interest or dilute.

On March 29, 2021, the Company issued 100,000 common shares valued at \$139,000 as a finder's fee for the sale of a 75% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property. The finder's fee was recorded as a transaction cost during the year ended November 30, 2021.

On June 18, 2021, the Company sold its remaining 25% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property, along with certain equipment owned by the Company. The Company received \$115,625 and 36,338,315 common shares of Raiden (valued at \$723,695 based on the trading price on June 18, 2021 and net of their put option value for a six-month hold period).

During the year ended November 30, 2021, the Company recorded a loss on the sale of the properties of \$379,328, including the finder's fee of \$139,000.



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### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

#### a) Pilbara Project (continued)

##### **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 to Impact 212,500 common shares of the Company 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.

At November 30, 2020, the Company decided not to complete expenditure on three additional tenement licenses. An impairment charge of \$644,600 has been recorded effective November 30, 2020.

During the year ended November 30, 2021, the Company decided not to pursue further exploration on the project and recorded an impairment charge of \$245,204 on the project to reduce the carrying amount to \$nil.

##### **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.

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 and valued at \$562,500).

During the year ended November 30, 2021, the Company decided not to pursue further exploration on the project. An impairment charge of \$594,472 has been recorded effective November 30, 2021.

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### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

#### a) Pilbara Project (continued)

##### **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 the projects by paying Gardner Mining \$25,000 (paid) and issuing to Gardner Mining 300,000 common shares of the Company (issued and valued at \$720,000).

On February 16, 2021, the Company sold a 75% interest in Yandicoogina and Boodalyerrie. See “Arrow Pilbara”.

On June 18, 2021, the Company completed the sale of its remaining 25% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property. See “Arrow Pilbara”.

##### **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 on February 18, 2020 and valued at \$40,000).

During the year ended November 30, 2021, the Company decided not to pursue further exploration on the project. An impairment charge of \$67,459 has been recorded effective November 30, 2021.

##### **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 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 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.

At November 30, 2020, the Company decided not to complete expenditure on the tenement license. An impairment charge of \$1,624,322 has been recorded effective November 30, 2020.

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### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

#### a) Pilbara Project (continued)

##### **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. 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 acquired the gold rights by paying \$10,000 (paid) and issuing 700,000 common shares of the Company (issued and valued at \$1,925,000) and deferred compensation of 300,000 additional common shares of the Company (issued and valued at \$330,000). A minimum of AUD \$55,000 was required to 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.

##### **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).

During the year ended November 30, 2021, the Company decided not to pursue further exploration on the project. An impairment charge of \$336,929 has been recorded effective November 30, 2021 to reduce the carrying amount to \$nil.

##### **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.

#### b) 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 was required to 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.

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### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

#### b) Red Lake Project (continued)

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 was required to make cash payments and issue common shares of the Company as follows:

- 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 October 25, 2018, one of the vendors became a director of the Company.

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 was required to 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) 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 (paid) and issue 7,500 common shares of the Company on or before November 19, 2020 (issued and valued at \$7,425).

The vendors retain an 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 0.25% to 2.25% NSR, 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 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 and valued at \$8,500); and
- Pay \$50,000 (paid) and issue 12,500 common shares of the Company on or before March 5, 2021 (issued and valued at \$9,750).

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### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

#### b) Red Lake Project (continued)

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 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 and valued at \$6,000); and
- Pay \$50,000 (paid) and issue 12,500 common shares of the Company on or before March 21, 2021 (issued and valued at \$10,875).

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

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

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 and valued at \$16,500);
- Pay \$22,500 (paid) and issue 15,000 common shares of the Company on or before November 6, 2020 (issued and valued at \$14,850);
- Pay \$22,500 (paid) and issue 15,000 common shares of the Company on or before November 6, 2021 (issued and valued at \$7,800);
- 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.

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### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

#### b) Red Lake Project (continued)

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 (paid) and issue 15,000 common shares (issued and valued at \$13,950) of the Company on or before April 30, 2021; and
- Pay \$25,000 (paid) and issue 15,000 common shares (issued and valued at \$13,950) 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 (paid) and issue 10,000 common shares of the Company on or before April 30, 2021 (issued and valued at \$7,900); 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 March 3, 2021, the Company entered into an amendment agreement to acquire one additional mineral claim for the Red Lake Project through its April 24, 2020 option agreement. As consideration, the Company paid \$500 and issued 30,000 common shares valued at \$22,500.

On April 7, 2022 the Company terminated the April 24, 2020 option agreement and recorded an impairment charge of \$54,900 on the project during the six months ended May 31, 2022.

On May 25, 2020, the Company entered into an agreement with Sandstorm, whereby the Company granted Sandstorm a 0.5% to 1% NSR on certain mineral claims owned by the Company in Red Lake, and certain mineral claims in which the Company was currently earning an interest in Red Lake. As of November 30, 2021, the Company has received \$190,911 (2020 - \$136,365) for the mineral claims it owns. Sandstorm has agreed to pay an additional \$27,273 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.

#### c) Red Lake – Sidace

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

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### **9. EXPLORATION AND EVALUATION ASSETS (Continued)**

#### c) Red Lake – Sidace (continued)

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 \$750,000);
- Within six months of TSX-V acceptance, pay \$250,000 (paid) 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 (issued 500,000 common shares valued at \$800,000); 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 or pay \$500,000.

The initial joint venture interest was 39.5%. During the year ended November 30, 2021, the Company increased its interest to 46.7% as a result of expenditures made on behalf of the joint venture.

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### 9. EXPLORATION AND EVALUATION ASSETS (Continued)

	Pilbara	Red Lake	Red Lake – Sidace	Total
<b>Balance, November 30, 2020</b>	<b>\$ 5,967,239</b>	<b>\$ 9,774,027</b>	<b>\$ 2,780,523</b>	<b>\$ 18,521,789</b>
<b>Property Acquisition Costs</b>				
Acquisition and option payments	-	289,725	-	289,725
Recoveries	-	(54,546)	-	(54,546)
Disposals	(3,464,906)	-	-	(3,464,906)
Impairment	(1,160,322)	-	-	(1,160,322)
Currency translation difference	(47,387)	-	-	(47,387)
<b>Total Additions to Acquisition Costs</b>	<b>(4,672,615)</b>	<b>235,179</b>	<b>-</b>	<b>(4,437,436)</b>
<b>Property Exploration Costs</b>				
Assays	-	156,452	88,175	244,627
Camp and other	60,295	125,606	14,400	200,301
Depreciation	-	22,150	-	22,150
Drilling	-	1,273,587	816,656	2,090,243
Environmental	454	-	1,950	2,404
Geochemical	-	4,608	-	4,608
Geological and field staff	55,929	1,497,413	3,132	1,556,474
Geophysics	-	17,690	-	17,690
Travel	-	77,646	6,553	84,199
Disposals	(803,845)	-	-	(803,845)
Impairment	(83,742)	-	-	(83,742)
Currency translation difference	(23,715)	-	-	(23,715)
<b>Total Additions to Exploration Costs</b>	<b>(794,624)</b>	<b>3,175,152</b>	<b>930,866</b>	<b>3,311,394</b>
<b>Balance, November 30, 2021</b>	<b>\$ 500,000</b>	<b>\$ 13,184,358</b>	<b>\$ 3,711,389</b>	<b>\$ 17,395,747</b>



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### 9. EXPLORATION AND EVALUATION ASSETS (Continued)

	Pilbara	Red Lake	Red Lake – Sidace	Total
<b>Balance, November 30, 2021</b>	<b>\$ 500,000</b>	<b>\$ 13,184,358</b>	<b>\$ 3,711,389</b>	<b>\$ 17,395,747</b>
<b>Property Acquisition Costs</b>				
Claim costs	9,726	-	-	9,726
Impairment	-	(54,900)	-	(54,900)
Currency translation difference	(553)	-	-	(553)
<b>Total Additions to Acquisition Costs</b>	<b>9,173</b>	<b>(54,900)</b>	<b>-</b>	<b>(45,727)</b>
<b>Property Exploration Costs</b>				
Assays	-	137,482	-	137,482
Camp and other	-	61,778	-	61,778
Depreciation	-	2,286	-	2,286
Drilling	-	974,749	-	974,749
Geological and field staff	-	393,637	-	393,637
Geophysics	-	103,333	-	103,333
Travel	-	4,500	-	4,500
Currency translation difference	(1,292)	-	-	(1,292)
<b>Total Additions to Exploration Costs</b>	<b>(1,292)</b>	<b>1,677,765</b>	<b>-</b>	<b>1,676,473</b>
<b>Balance, May 31, 2022</b>	<b>\$ 507,881</b>	<b>\$ 14,807,223</b>	<b>\$ 3,711,389</b>	<b>\$ 19,026,493</b>

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### 10. OTHER LIABILITIES

	May 31, 2022	November 30, 2021
Balance, beginning of period	\$ 37,470	\$ 217,993
Liability incurred on flow-through shares issued December 16, 2020	-	201,000
Liability incurred on flow-through shares issued November 25, 2021	-	37,182
Liability incurred on flow-through shares issued March 30, 2022	515,000	
Settlement of flow-through share liability by incurring expenditures	(31,244)	(418,705)
Balance, end of period	\$ 521,226	\$ 37,470

On December 16, 2020, the Company issued 2,010,000 flow-through shares at a price of \$1.00 per share. The premium paid by investors was calculated as \$0.10 per share. Accordingly, \$201,000 was recorded as other liabilities.

On November 25, 2021, the Company issued 3,718,180 flow-through shares at a price of \$0.55 per share. The premium paid by investors was calculated as \$0.01 per share. Accordingly, \$37,182 was recorded as other liabilities.

On March 30, 2022, the Company issued 8,583,333 flow-through shares at a price of \$0.36 per share. The premium paid by investors was calculated as \$0.06 per share. Accordingly, \$515,000 was recorded as other liabilities.

At May 31, 2022, the Company had a remaining commitment to incur exploration expenditures of \$nil (November 30, 2021 - \$2,883) in relation to its December 16, 2020 flow-through share financing, \$342,403 (November 30, 2021 - \$2,044,999) in relation to its November 25, 2021 flow-through share financing and \$3,090,000 (November 30, 2021 - \$nil) in relation to its March 30, 2022 flow-through share financing.

During the six months ended May 31, 2022, the Company did not incur any (2021 - recovery of \$35,858) Part XII.6 tax in relation to its flow-through share financings.

### 11. CAPITAL STOCK

a) Authorized

Unlimited number of common voting shares without par value

b) Issued

**During the year six months ended May 31, 2022**

On March 30, 2022 and April 6, 2022, the Company closed a private placement for gross proceeds of \$4,464,000. The Company issued 4,580,000 common shares at a price of \$0.30 per share for gross proceeds of \$1,374,000. The Company also issued 8,583,333 flow-through common shares at a price of \$0.36 per share for gross proceeds of \$3,090,000. The premium paid by investors on the flow-through shares was calculated as \$0.06 per share. Accordingly, \$515,000 was recorded as other liabilities. The Company paid finders' fees of \$5,400 and issued 33,000 agent warrants with an exercise price of \$0.40 and a term to expiry of two years (note 11(d)). The Company also incurred other share issuance costs of \$24,270.

## **PACTON GOLD INC.**

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### **11. CAPITAL STOCK (Continued)**

#### b) Issued (continued)

##### **During the year ended November 30, 2021**

On December 16, 2020, the Company closed a private placement for gross proceeds of \$3,637,000. The Company issued 1,807,778 units at a price of \$0.90 per unit for gross proceeds of \$1,627,000. 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 \$1.25 for a period of two years from the date of issuance. The Company also issued 2,010,000 flow-through common shares at a price of \$1.00 per share for gross proceeds of \$2,010,000. The premium paid by investors on the flow-through shares was calculated as \$0.10 per share. Accordingly, \$201,000 was recorded as other liabilities. The Company paid finders' fees of \$37,800 and issued 42,000 agent warrants with an exercise price of \$1.25 and a term to expiry of two years (note 11(d)). The Company also incurred other share issuance costs of \$26,799.

On December 21, 2020, the Company issued 30,000 common shares valued at \$27,900 for the Red Lake Project (note 9(b) – Red Lake Project).

On March 1, 2021, the Company issued 12,500 common shares valued at \$9,750 for the Red Lake Project (note 9(b) - Red Lake Project).

On March 3, 2021, the Company issued 30,000 common shares valued at \$22,500 for the Red Lake Project (note 9(b) - Red Lake Project).

On March 19, 2021, the Company issued 12,500 common shares valued at \$10,875 for the Red Lake Project (note 9(b) - Red Lake Project).

On March 29, 2021, the Company issued 100,000 common shares valued at \$139,000 as a finder's fee for the sale of a 75% interest in the Arrow Pilbara property and the Yandicoogina and Boodalyerrie property (note 9(a) – Pilbara Project).

On April 27, 2021, the Company issued 10,000 common shares valued at \$7,900 for the Red Lake Project (note 9(b) - Red Lake Project).

On November 5, 2021, the Company issued 15,000 common shares valued at \$7,800 for the Red Lake Project (note 9(b) - Red Lake Project).

On November 25, 2021, the Company closed a flow-through private placement for gross proceeds of \$2,044,999. The Company issued 3,718,180 flow-through common shares at a price of \$0.55 per share. The premium paid by investors on the flow-through shares was calculated as \$0.01 per share. Accordingly, \$37,182 was recorded as other liabilities. The Company incurred share issuance costs of \$10,975.

## PACTON GOLD INC.

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### 11. CAPITAL STOCK (Continued)

#### c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Six Months Ended May 31, 2022		Year Ended November 30, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	3,130,510	\$ 1.48	3,816,487	\$ 2.91
Issued	-	-	1,807,778*	\$ 1.25
Expired	(1,322,732)	\$ 1.80	(2,493,755)	\$ 3.50
Outstanding, end of period	1,807,778	\$ 1.25	3,130,510	\$ 1.48

\* If the closing price of the Company's common shares on the TSX-V is equal to or greater than \$1.75 for 10 consecutive trading days then the Company may, at its sole option, elect to provide notice to the holders of the warrants that the warrants will expire in 30 days.

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	May 31, 2022
December 16, 2022	0.55	\$ 1.25	1,807,778

During the six months ended May 31, 2022, the Company did not transfer any amounts (year ended November 30, 2021 - \$583,761) from the share-based payments reserve to deficit from the expiry of warrants (year ended November 30, 2021 - 2,493,755).

#### d) Agent warrants

Agent warrant transactions and the number of agent warrants outstanding are summarized as follows:

	Six Months Ended May 31, 2022		Year Ended November 30, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	58,254	\$ 1.40	279,526	\$ 2.38
Issued	33,000	\$ 0.40	42,000*	\$ 1.25
Expired	(16,254)	\$ 1.80	(263,272)	\$ 2.41
Outstanding, end of period	75,000	\$ 0.88	58,254	\$ 1.40

\* If the closing price of the Company's common shares on the TSX-V is equal to or greater than \$1.75 for 10 consecutive trading days then the Company may, at its sole option, elect to provide notice to the holders of the warrants that the warrants will expire in 30 days.

## PACTON GOLD INC.

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### 11. CAPITAL STOCK (Continued)

#### d) Agent warrants (continued)

The following agent warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	May 31, 2022
December 16, 2022	0.55	\$ 1.25	42,000
April 6, 2024	1.85	\$ 0.40	33,000
	1.12		75,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent warrants granted. There were 33,000 (year ended November 30, 2021 - 42,000) agent warrants issued during the six months ended May 31, 2022 with a fair value of \$6,443 (year ended November 30, 2021 - \$16,707).

The fair value of each agent warrant issued was calculated using the following weighted average assumptions:

	Six Months Ended May 31, 2022	Year Ended November 30, 2021
Expected life (years)	2.00	2.00
Risk-free interest rate	2.37%	0.25%
Annualized volatility	88%	101%
Dividend yield	N/A	N/A
Stock price at issue date	\$ 0.41	\$ 0.90
Exercise price	\$ 0.40	\$ 1.25
Weighted average issue date fair value	\$ 0.20	\$ 0.40

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

During the six months ended May 31, 2022, the Company transferred \$13,053 (year ended November 30, 2021 - \$456,957) from the share-based payments reserve to deficit on the expiry of 16,254 (year ended November 30, 2021 - 263,272) agent warrants.

#### e) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless otherwise specified by the Board of Directors.

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### 11. CAPITAL STOCK (Continued)

#### e) Stock options (continued)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Six Months Ended May 31, 2022		Year Ended November 30, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,769,500	\$ 1.44	3,259,500	\$ 1.86
Expired	-	-	(490,000)	\$ 4.23
Outstanding, end of period	2,769,500	\$ 1.44	2,769,500	\$ 1.44

The following stock options were outstanding and exercisable at May 31, 2022:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
July 5, 2022*	0.10	\$ 1.60	685,000	685,000
August 12, 2022	0.20	\$ 1.70	175,000	175,000
August 16, 2022	0.21	\$ 1.70	155,000	155,000
October 1, 2022	0.34	\$ 1.60	30,000	30,000
July 24, 2023	1.15	\$ 1.33	1,724,500	1,724,500
	1.44		2,769,500	2,769,500

\* Expired unexercised subsequent to May 31, 2022

During the six months ended May 31, 2022, the Company did not transfer any amounts (year ended November 30, 2021 - \$1,838,451) from the share-based payments reserve to deficit on the expiry of stock options (year ended November 30, 2021 - 490,000).

### 12. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed consolidated interim statements of comprehensive loss:

	Six Months Ended May 31, 2022	Six Months Ended May 31, 2021
Short-term compensation	\$ 302,000	\$ 489,000

During the six months ended May 31, 2022, short-term compensation to related parties consisted of \$60,000 (2021 - \$120,000) in consulting fees, \$45,000 (2021 - \$45,000) in management fees, \$42,000 (2021 - \$54,000) in professional fees and \$155,000 (2021 - \$270,000) in geological fees included in exploration and evaluation assets.

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### 12. RELATED PARTY TRANSACTIONS (Continued)

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

	Six Months Ended May 31, 2022		Six Months Ended May 31, 2021	
Related company with a common officer (rent)	\$	48,000	\$	48,000
Related company controlled by officer and director (consulting fees and office and miscellaneous)	\$	47,500	\$	87,000

As at May 31, 2022, the Company has outstanding amounts payable to officers and directors of the Company of \$8,178 (November 30, 2021 - \$92,372) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

As at May 31, 2022, the Company has prepaid expenses with a related company with a common officer of \$nil (November 30, 2021 - \$8,400) for prepaid rent.

### 13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six Months Ended May 31, 2022		Six Months Ended May 31, 2021	
<b>Cash and Cash Equivalents</b>				
Cash	\$	1,063,865	\$	694,191
Term deposits		2,753,234		761,886
	\$	3,817,099	\$	1,456,077
<b>Supplemental Disclosure with Respect to Cash Flows</b>				
Income tax paid	\$	-	\$	-
Interest paid	\$	-	\$	-
Exploration and evaluation expenditures in accounts payable (opening)	\$	55,471	\$	830,984
Exploration and evaluation expenditures in accounts payable (closing)	\$	67,284	\$	89,097
Fair value of shares issued for exploration and evaluation assets	\$	-	\$	78,925
Fair value of warrants expired	\$	13,053	\$	-

### 14. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration and development. The Company's reportable segments are summarized as follows:

#### Geographical segment

Non-current Assets	Canada		Australia		Total
May 31, 2022	\$	18,539,183	\$	507,881	\$ 19,047,064
November 30, 2021	\$	16,918,604	\$	500,000	\$ 17,418,604