

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

**FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS**

This report on results for the six months ended May 31, 2019 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, 2019 should be read in conjunction with the condensed consolidated interim financial statements for the six months ended May 31, 2019. This MD&A is effective July 30, 2019. The Company has prepared its condensed consolidated interim financial statements for the six months ended May 31, 2019 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.

**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 can acquire 100% of the issued and outstanding shares of CTTR by:

- Paying a \$25,000 non-refundable deposit (paid);
- Paying \$75,000 (paid) and issuing 916,666 common shares (issued and valued at \$238,333) of the Company and 458,333 share purchase warrants (issued and valued at \$64,545). Each warrant is exercisable into one additional

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

common share of the Company for a period of 18 months from the date of issue at a price of \$0.45, upon acceptance of the transaction by the TSX-V (issued on March 29, 2018); and

- Paying \$50,000 (paid) and issuing 416,666 common shares (issued and valued at \$270,833) of the Company and 208,333 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 156,250 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. 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.

**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 1,086,957 common shares (issued and valued at \$695,652) and 1,086,957 common share purchase warrants (issued and valued at \$583,761) exercisable into one share at \$0.35 for three years and pay \$500,000 (paid \$400,000, with remaining due upon grant of application).

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 \$0.19 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 227,941 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. 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 will acquire the remaining 49% ownership interest in Arrow Pilbara that it does not already own by paying \$1,000,000 (paid) and issuing 2,000,000 common shares (issued and valued at \$820,000).

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

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

**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 2,125,000 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 will grant Impact a 2% net smelter royalty (“NSR”) in respect of the property on standard industry terms to be agreed between the parties. The parties agree that the Company shall, at all times, retain an exclusive and unlimited right to purchase 50% of the NSR back from Impact for \$500,000.

The Company paid a finder's fee of 291,875 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.

**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 will purchase a 100% interest in Friendly Creek by paying the vendors a total of \$25,000 (paid) and issuing to the vendors 2,500,000 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 will purchase a 100% ownership interest in projects by paying Gardner Mining \$25,000 (paid) and issuing to Gardner Mining 3,000,000 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.

# **PACTON GOLD INC.**

## **Management Discussion and Analysis**

### **For the Six Months Ended May 31, 2019**

Under the terms of the agreement, Pacton can purchase 100% of the property by paying a total of \$100,000 (\$50,000 paid) and issuing 400,000 common shares on completion of the transaction.

#### **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 can purchase a 70% interest in the Hong Kong project by paying Clancy \$175,000 (paid on December 10, 2018) and issuing to Clancy 3,780,613 common shares of the Company (issued on December 10, 2018 and valued at \$1,323,215). In addition, the Company issued 300,000 common shares valued at \$82,500 as a finder's fee on the project and paid a \$25,000 deposit included in exploration and evaluation assets.

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.

#### **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 issuing Calidus or its nominees 7,000,000 common shares of the Company (issued on December 5, 2018 and valued at \$1,925,000). The agreement includes a right to deferred compensation whereby Calidus may receive up to 3,000,000 additional common shares of the Company on October 18, 2019 based on the 30-day volume weighted average price of the Company's common shares on the date of such issuance. A minimum of AUD \$55,000 must be spent by the Company on each anniversary of the completion of the transaction. In addition, the Company paid a \$10,000 deposit included in exploration and evaluation assets.

#### **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 can earn a 100% interest in the property by issuing 1,250,000 common shares on completion of the transaction.

#### **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.

# **PACTON GOLD INC.**

## **Management Discussion and Analysis**

### **For the Six Months Ended May 31, 2019**

On March 12, 2019, the Company announced the commencement of initial field work 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 10, 2017, the Company entered into an option agreement to earn a 100% interest in 34 mineral claims and two mineral patents in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company was required to make cash payments of \$300,000 and issue 4,200,000 common shares of the Company over a period of four years. Of that, 1,200,000 common shares of the Company were issued (valued at \$168,000) and \$75,000 was paid.

The vendor retained a NSR varying from 0.25% to 2.25%, of which one-half could be repurchased by the Company, at a rate of \$250,000 per 0.25%.

On April 18, 2018, the Company provided notice of termination on the option agreement to the vendor. During the year ended November 30, 2018, the Company recorded an impairment of exploration and evaluation assets of \$243,000 as a result of the termination.

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 300,000 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.

The claims are subject to an underlying 2% NSR.

On May 23, 2017, and as amended November 23, 2017, June 14, 2018 and May 25, 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:

- Issue 2,500,000 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 on January 25, 2019); and
- Pay \$150,000 on or before June 30, 2019 (paid on June 26, 2019).

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 100,000 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 and issue 75,000 common shares of the Company on or before November 19, 2019; and
- Pay \$40,000 and issue 75,000 common shares of the Company on or before November 19, 2020.

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

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 192,310 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 January 31, 2019, the Company announced that it has commenced a high-resolution heliborne magnetic survey over its claims in Red Lake. This is the initial step in order to prioritize upcoming drill targets as part of an aggressive exploration strategy going forward in this prospective area.

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 75,000 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;
- Issue 125,000 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 and issue 100,000 common shares of the Company on or before March 5, 2020; and
- Pay \$50,000 and issue 125,000 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;
- Issue 100,000 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 and issue 100,000 common shares of the Company on or before March 21, 2020; and
- Pay \$50,000 and issue 125,000 common shares of the Company on or before March 21, 2021.

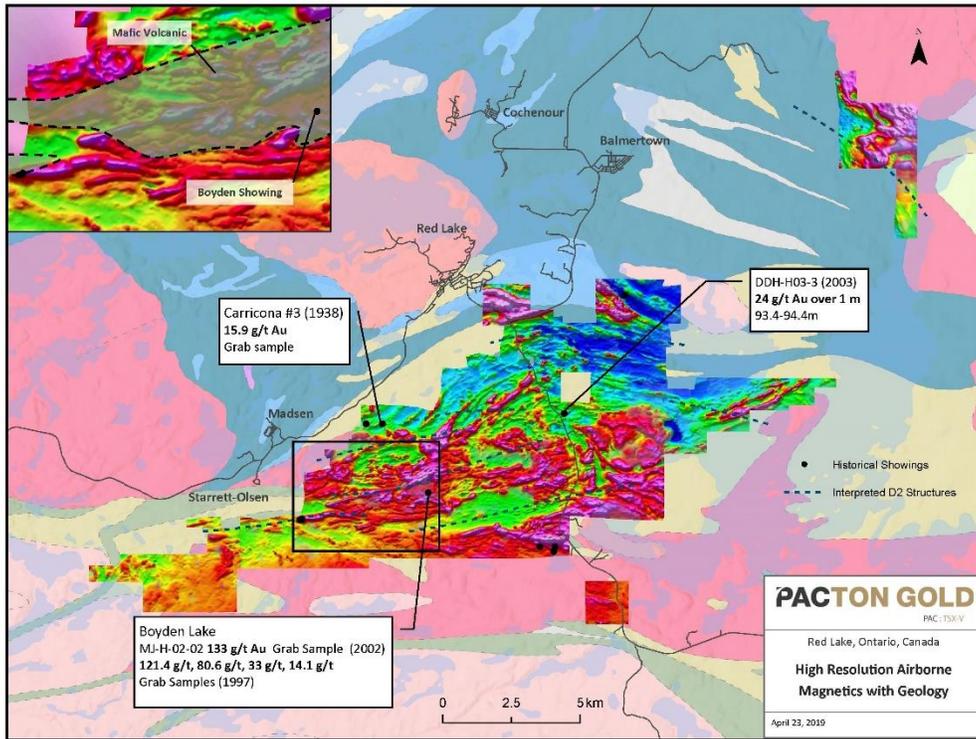
The claims are subject to a 2.5% NSR, of which one-half can be repurchased by the Company for \$2,000,000.

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:

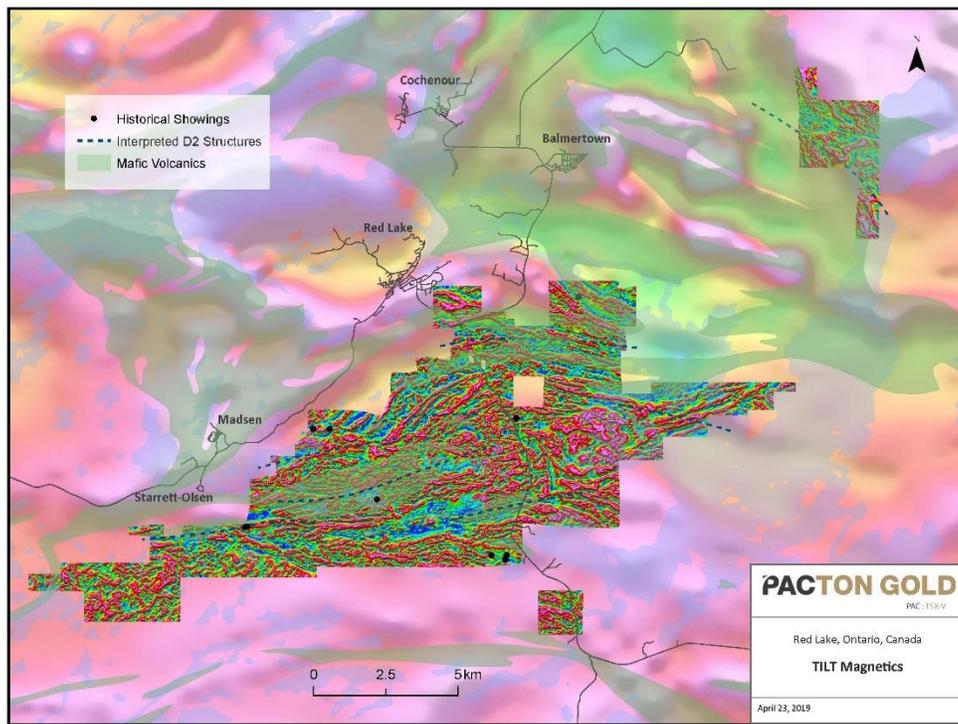
- Pay \$30,000 (paid) and issue 100,000 common shares of the Company (issued on May 6, 2019 and valued at \$16,500) within five days of approval by the TSX-V, which was received May 6, 2019;
- Pay \$30,000 and issue 150,000 common shares of the Company on or before May 6, 2020; and
- Pay \$30,000 on 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 kilometers at a 50-meter 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).

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**



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



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

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

A detailed mapping and prospecting program is underway at the Red Lake Project, with a 10,000-meter drill program planned to commence in the late-summer. The initial program will concentrate on the exploration of Riedel shear associated and identified gold targets in the western part of the Red Lake Project. Subsequently, drill targets will be developed along structures that are considered analogous to those that host gold deposits within the historic Red Lake Mine trend immediately north of Pacton's main claim group.

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/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 200,000 common shares of the Company upon approval by the TSX-V (\$200,000 and 400,000 common shares total). As of July 30, 2019, approval was still pending.

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 must make cash payments and issue common shares of the Company as follows:

- Issue 1,300,000 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 1,300,000 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 1,300,000 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), so 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 must now 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 retain a 2.5% NSR, of which two-fifths (1%) can be repurchased by the Company for an aggregate \$1,000,000.

On June 21, 2017, the Company announced assay results from the first two drill holes from its reconnaissance exploration program on the Tully West Gold Project. Four holes totaling 1,149 metres (or "m") were drilled. Step out drilling in 2013 by SGX Resources Inc. ("SGX") encountered high-grade gold mineralization in drill hole #13-38, which intersected 36.7 g/tonne (or "g/t") Au (uncut) over 6.3 metres, 185 metres vertically below surface. This intercept occurred approximately 300 metres west of the previously established limits of the Tully Gold Deposit. Coarse visible gold was observed in the drill hole within a broad zone of mineralized quartz and carbonate veining within the host altered volcanic tuff, identical to the main Tully Deposit to the east.

The drill campaign was designed to initially validate historical intercepts with step out holes to the east and west and to also confirm continuity of mineralization. The first two drill holes successfully identified nine disparate auriferous en echelon vein systems and validated the historical intercepts and the presence of a gold system at depth.

The first drill hole, PAC-17-01, was spotted approximately 4.0 m south of drill hole SGX-13-38 and was designed to twin the previous drill hole. Drill hole PAC-17-01 encountered multiple en echelon auriferous quartz carbonate vein

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

zones hosted within a mafic tuff dipping approximately 60 degrees north (see table below). Positive drill results from PAC-17-01 yielded 6.75 g/t Au over 0.8 m from 145.0 m to 145.8 m and 3.97 g/t Au over 0.5 m from 220.0 m to 220.5 m (see table below).

PAC-17-01	From (m)	To (m)	Width (m) *	Vertical Depth (m)	Grade g/t Au
	100.5	102.0	1.5	85	2.43
	110.0	111.0	1.0	93	1.30
	119.0	121.3	2.3	100	1.66
	<b>145.0</b>	<b>145.8</b>	<b>0.8</b>	<b>122</b>	<b>6.75</b>
	150.0	150.5	0.5	127	1.53
	154.0	154.6	0.6	130	1.60
	220.0	220.5	0.5	185	3.97
	225.4	226.9	1.5	188	1.77
	367.1	368.0	0.9	304	1.23

\*Drilled widths are currently reported. True widths are not known at this time.

Drill hole PAC-17-02 was spotted and drilled 25 metres east of PAC-17-01 and encountered 5.55 g/t Au over 2.5 m from 98.0 m to 100.5 m, including 18.3 g/t Au over 0.7 m from 98.8 m to 99.5 m. As with drill hole PAC-17-01, the second drill hole, PAC-17-02, also intersected stacked multiple en echelon quartz carbonate vein systems hosting gold.

PAC-17-02	From (m)	To (m)	Width (m) *	Vertical Depth (m)	Grade g/t Au
	76.7	78.1	1.4	63	1.28
	98.0	100.5	2.5	82	5.55
“including”	<b>98.8</b>	<b>99.5</b>	<b>0.7</b>	<b>81</b>	<b>18.3</b>
	101.7	102.6	0.9	85	2.60
	162.0	170.0	8.0	140	0.95
“including”	164.0	165.0	1.0	137	2.54
“including”	168.0	170.0	2.0	140	1.16
	194.5	195.0	0.5	162	2.29
	225.0	226.0	1.0	187	2.40
	231.6	232.1	0.5	193	1.82
	339.8	347.6	7.8	296	0.43
	377.5	378.0	0.5	325	2.0

\*Drilled widths are currently reported. True widths are not known at this time.

Drill hole PAC-17-03 deviated and was terminated at 216 metres in the ultramafic footwall. This hole did, however, encounter a quartz carbonate vein system with appreciable sulphides from 102.6 to 109.8 metres and returned an intercept of **0.70 g/t Au over 7.2 metres**. Drill hole PAC-17-04 was collared approximately 2 metres north of PAC-17-03 and encountered the favourable stratigraphy (mafic tuff) hosting auriferous quartz carbonate veins, with an intercept from 98.5 to 101.0 metres of **0.56 g/t Au over 2.5 metres**. The drill hole, however, was terminated early at 114 metres after intersecting an impenetrable sand seam. The program was concluded at this point based upon budgetary considerations.

The host volcanic tuff unit is readily detectable by geophysics and has been traced for over 2,000 m in both eastern and western directions away from the main deposit. The Tully Deposit is interpreted to be a series of auriferous shallow dipping (extensional or ladder) stacked vein sets within a subvertical competent mafic tuff host that is bounded by ultramafic volcanic rocks to the south and sediments to the north. This host sequence of rocks all lie within a regional east-west fault corridor, a northern splay from the Porcupine-Destor Fault. The Tully Gold Deposit has been drilled over a 1,000 m strike length to date, and to depths of over 600 m, remaining open along strike and to depth. The Creighton property, which is the western extension of the Tully Deposit, currently possesses an additional 480 m striking to the southwest of the current drilling to the southern claim boundary.

# **PACTON GOLD INC.**

## **Management Discussion and Analysis**

### **For the Six Months Ended May 31, 2019**

This program was carried out under the supervision of Peter Caldbick, P.Geo., of Pacton Gold Inc., the qualified person responsible for the technical information presented above.

The drill core was split with half sent to an accredited laboratory, Actlabs in Timmins, Ontario, and fire assayed with an AA and gravimetric finish. Whole metallic assays are performed on samples containing visible gold. Check assays were also performed on pulps and rejects, as well, blanks and standards were inserted into the sample stream for QA/QC purposes.

#### **OTHER EXPLORATION PROJECTS**

##### Lincoln Property

On April 21, 2016, and as amended June 15, 2016, the Company entered into an option agreement to acquire a 100% interest in the Lincoln Property, a lithium project in Nevada. Consideration for the option is as follows:

- Issue 1,500,000 common shares to the optionor upon acceptance of the transaction by the TSX-V (issued on July 4, 2016 and valued at \$195,000); and
- Cash payment of \$50,000 within five days of acceptance by the TSX-V (paid).

At November 30, 2016, the Company determined that the value of the property was impaired. The property was written down to \$100,000. On January 1, 2017, and as amended on July 11, 2017 and March 14, 2018, the Company reached an agreement to sell the property for \$100,000. The sale price was amended to \$40,000 on May 29, 2018 and payment was received. The remaining balance of \$60,000 was written off and included in impairment of exploration and evaluation assets.

##### Carpenter Lake Property

On May 28, 2013, the Company entered into an agreement to acquire a 100% interest in 34 mineral claims located in the Athabasca Basin Region of northern Saskatchewan. Consideration for the acquisition was the issuance of 200,000 common shares (issued and valued at \$380,000). The Company paid a finder's fee of 10,000 common shares (issued and valued at \$19,000).

The property was subject to a 5% NSR. The NSR could be reduced to a minimum of 2% at the option of either the vendors or the Company in exchange for the issuance of 100,000 common shares for each percentage point bought back (the "Royalty Buyback").

Pursuant to an amending agreement dated June 21, 2013, the Company agreed to file a NI 43-101 Report on or before July 1, 2014 as a condition for approval from the TSX-V to exercise the Royalty Buyback. Failure to receive approval would give the vendors of the property the right to purchase the property for the sum of \$200,000 commencing July 1, 2014 for a period of 180 days.

On January 13, 2014, the Company granted an option to Alpha Exploration Inc. (TSX-V: AEX) ("Alpha") to earn a 60% interest in the Company's Clearwater/Carpenter Lake Property. Under the terms of the agreement, Alpha was required to make cash and share payments as follows:

- Cash payment of \$12,500 upon approval of the agreement by the TSX-V (received);
- Issuance of 100,000 common shares within 10 days of approval by the TSX-V (received and valued at \$59,000);
- Cash payment of a total of \$37,500 and issuance of a total of 300,000 common shares over a three-year period ending on the third anniversary of approval by the TSX-V; and
- 1,250,000 in exploration expenditures on the property over a three-year period ending on the third anniversary of approval by the TSX-V.

On November 6, 2014, Alpha provided the Company with its Notice of Exercise on the option to earn a 60% interest in the Clearwater/Carpenter Lake Property. The Company received the \$37,500 in cash payments due from the first through third anniversaries and the 300,000 common shares (valued at \$27,000). A joint venture was formed between Alpha (60%) and Pacton (40%) for the further development of the property, with Alpha serving as the operator.

# **PACTON GOLD INC.**

## **Management Discussion and Analysis**

### **For the Six Months Ended May 31, 2019**

The property was then subject to a 2% NSR, which was owed to the original vendors (the “Underlying NSR”). The Underlying NSR rate was reduced from 5% to 2% by Pacton through the issuance of 300,000 common shares of the Company on October 27, 2014 (valued at \$90,000).

At November 30, 2016, the property was written down to \$226,000. At November 30, 2018, the property was written off and included in impairment of exploration and evaluation assets.

## **RESULTS OF OPERATIONS**

### **Six Months Ended May 31, 2019**

During the six months ended May 31, 2019, the Company reported a net loss of \$1,241,437 (2018 - \$3,110,791). The Company's loss included expenditures as follows:

- Consulting fees of \$496,729 (2018 - \$953,252) were lower due to a reduction in consultants retained during the period;
- Management fees of \$90,000 (2018 - \$100,500) were higher in 2018, due to a catch-up payment to the interim CEO in the prior period;
- Office and miscellaneous of \$138,961 (2018 - \$36,405) increased due to travel costs;
- Professional fees of \$214,633 (2018 - \$125,022) were higher due to an increase in legal fees, primarily related to project acquisitions;
- Rent of \$19,000 (2018 - \$18,000) was comparable to the prior period;
- Share-based payments of \$60,234 (2018 - \$1,293,985) were due to a lower number of options granted during the current period and at a lower fair value;
- Shareholder communications and investor relations of \$235,652 (2018 - \$250,683) was lower in 2019 due to a reduction in services being used and in promotional activities;
- Transfer agent and filing fees of \$47,650 (2018 - \$38,061) were higher compared to the same period in the prior year due to more acquisitions in 2019;
- Impairment of exploration and evaluation assets of \$nil (2018 - \$303,000) was related to the impairment of certain Red Lake claims in 2018;
- Gain on settlement of accounts payable of \$nil (2018 - \$9,167) was due to the value of the common shares issued on the date of grant being less than the value of the accounts payable settled;
- Loss on disposal of equipment of \$3,738 (2018 - \$nil) was the result of the disposal of equipment occurring at the end of the period;
- Interest income of \$5,713 (2018 - \$nil) was the result of cash held in a high interest savings account and not being held in a similar account during the prior period; and
- Other income of \$59,862 (2018 - \$nil) related to the extinguishment of the liability for exploration and evaluation expenditures on the Company's December 2018 flow-through financing.

### **Three Months Ended May 31, 2019**

During the three months ended May 31, 2019, the Company reported a net loss of \$643,843 (2018 - \$2,462,516). The Company's loss included expenditures as follows:

- Consulting fees of \$262,813 (2018 - \$612,769) were lower due to a reduction in consultants retained during the period;
- Management fees of \$45,000 (2018 - \$100,500) were higher in 2018, due to a catch-up payment to the interim CEO in the prior period;
- Office and miscellaneous of \$79,821 (2018 - \$31,555) increased due to travel costs;
- Professional fees of \$99,412 (2018 - \$93,501) were higher due to an increase in legal fees, primarily related to project acquisitions;
- Rent of \$10,000 (2018 - \$9,000) was comparable to the prior period;
- Share-based payments of \$24,524 (2018 - \$1,293,985) were due to a lower number of options granted during the current period and at a lower fair value;
- Shareholder communications and investor relations of \$130,919 (2018 - \$247,778) was lower in 2019 due to a reduction in services being used and in promotional activities;

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

- Transfer agent and filing fees of \$15,939 (2018 - \$22,341) were lower compared to the same period in the prior year due to less acquisitions the current quarter;
- Impairment of exploration and evaluation assets of \$nil (2018 - \$60,000) was related to the impairment of certain Red Lake claims in 2018;
- Gain on settlement of accounts payable of \$nil (2018 - \$9,167) was due to the value of the common shares issued on the date of grant being less than the value of the accounts payable settled;
- Loss on disposal of equipment of \$3,738 (2018 - \$nil) was the result of the disposal of equipment occurring at the end of the period;
- Interest income of \$3,922 (2018 - \$nil) was the result of cash held in a high interest savings account and not being held in a similar account during the prior period; and
- Other income of \$24,608 (2018 - \$nil) related to the extinguishment of the liability for exploration and evaluation expenditures on the Company's December 2018 flow-through financing.

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

	November 30, 2018 \$	November 30, 2017 \$	November 30, 2016 \$
Revenue	-	-	-
Net loss	(7,065)	(1,650)	(2,235)
Basic and diluted loss per common share	(0.10)	(0.03)	(0.07)
Total assets	9,408	1,837	505
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, 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	(0.01)	(0.01)	(0.02)	(0.02)
Total assets	15,040	14,276	9,408	10,440
Non-current financial liabilities	-	-	-	-

For the periods ending	May 31, 2018 \$	February 28, 2018 \$	November 30, 2017 \$	August 31, 2017 \$
Revenue				
Net loss	(2,463)	(648)	(793)	(319)
Basic and diluted loss per common share	(0.04)	(0.01)	(0.01)	(0.01)
Total assets	10,356	2,189	1,837	2,039
Non-current financial liabilities	-	-	-	-

**LIQUIDITY AND CAPITAL RESOURCES**

The Company had cash of \$98,061 and a working capital deficit of \$336,900 at May 31, 2019, compared to \$465,734 of cash and \$622,750 of working capital at November 30, 2018.

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

The Company's accounts payable and accrued liabilities at May 31, 2019 were \$443,299 (November 30, 2018 - \$308,536).

The Company has taken the following measures to address working capital concerns during the 2019 fiscal period and as of the date of this MD&A:

- On December 14, 2018, the Company closed a private placement and issued 5,881,470 flow-through common shares at a price of \$0.35 per share for gross proceeds of \$2,058,515.
- On June 7, 2019 and July 3, 2019, the Company closed a private placement in two tranches. The Company issued 35,400,000 common shares at a price of \$0.10 per share and 166,667 common shares at a price of \$0.12 per share for gross proceeds of \$3,560,000. The Company also issued 16,590,847 flow-through common shares at a price of \$0.12 per share for gross proceeds of \$1,990,902. The premium paid by investors on the flow-through shares was calculated as \$0.02 per share. Accordingly, \$331,817 was recorded as other liabilities. The Company paid finders' fees of \$111,048 and issued 677,500 agent warrants with an exercise price of \$0.20 and a term to expiry of one year.

The Company will need to obtain additional financing in 2019 for working capital purposes and to continue exploration on its exploration and evaluation assets.

At May 31, 2019, the Company had a remaining commitment to incur exploration expenditures of \$1,592,920 (November 30, 2018 - \$nil) in relation to its December 2018 flow-through share financing.

**EVENTS SUBSEQUENT TO MAY 31, 2019**

Events subsequent to May 31, 2019 not previously discussed in this MD&A are:

On July 5, 2019, the Company granted 7,500,000 stock options to consultants, officers and directors with an exercise price of \$0.16 and a term to expiry of three years.

**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:

	<b>Six Months Ended May 31, 2019</b>	<b>Six Months Ended May 31, 2018</b>
Short-term compensation	\$ 325,000	\$ 188,000
Share-based compensation	-	464,441
	<b>\$ 325,000</b>	<b>\$ 652,441</b>

Short-term compensation was paid or accrued as follows:

- \$90,000 (2018 - \$100,500) in management fees to a private company controlled by the interim CEO;
- \$50,000 (2018 - \$42,500) in professional fees to a private company in which the CFO is a director;
- \$60,000 (2018 - \$nil) in consulting fees to a private company in which the Secretary is a director;
- \$65,000 (2018 - \$nil) in exploration and evaluation assets to a director;
- \$60,000 (2018 - \$nil) in exploration and evaluation assets to a director; and
- \$nil in consulting fees (2018 - \$45,000 in management fees) to a private company controlled by a former director and former CEO.

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

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

	<b>Six Months Ended May 31, 2019</b>	<b>Six Months Ended May 31, 2018</b>
Related company with a common officer (rent)	\$ 19,000	\$ 18,000

As at May 31, 2019, the Company has outstanding amounts payable to current and former officers and directors of the Company of \$31,416 (November 30, 2018 - \$15,000) 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.

**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 is classified as 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 asset measured at fair value by level within the fair value hierarchy:

<b>May 31, 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 98,061	\$ -	\$ -	\$ 98,061

<b>November 30, 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 465,734	\$ -	\$ -	\$ 465,734

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

- Credit risk;
- Liquidity risk; and
- 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 \$79,860 (November 30, 2018 - \$384,317) 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

# **PACTON GOLD INC.**

## **Management Discussion and Analysis**

### **For the Six Months Ended May 31, 2019**

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, 2019 equal \$443,299 (November 30, 2018 - \$308,536). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of May 31, 2019.

#### 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 exchanges rates between the Canadian and Australian dollars of 10% would result in a nominal change to the Company's cash, accounts payable and accrued liabilities, and 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.

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, 2019. 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.

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

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 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 condensed consolidated interim financial statements within the next fiscal year are included in note 5 of the condensed consolidated interim financial statements.

**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 condensed consolidated interim 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, 2019 that would have materially affected the Company's internal controls over financial reporting.

**PACTON GOLD INC.**  
**Management Discussion and Analysis**  
**For the Six Months Ended May 31, 2019**

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 30, 2019</b>	<b>May 31, 2019</b>	<b>November 30, 2018</b>
Common shares	177,448,033	125,190,519	102,236,126
Warrants	25,604,232	25,604,232	25,604,232
Agent warrants	2,125,456	1,447,956	1,447,956
Stock options	13,000,000	5,500,000	6,750,000
Fully diluted shares	218,177,721	157,742,707	136,038,314