



**P A S O F I N O   G O L D**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE QUARTER ENDED OCTOBER 31, 2019**

**REPORT DATE – DECEMBER 13, 2019**

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## 1. INTRODUCTION

The following Management's Discussion & Analysis ("MD&A") is intended to assist in the understanding of the trends and significant changes in the financial condition and results of operations of Pasofino Gold Ltd. ("Pasofino" or the "Company") previously called Enforcer Gold Corp for the three and six months ended October 31, 2019. It should be read in conjunction with the condensed consolidated interim financial statements and the notes thereto for the same period as noted above (collectively, the "Financial Statements"). The MD&A has been prepared with an effective date of December 13, 2019.

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

### Forward Looking Statements

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

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

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

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

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

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

We caution you that the foregoing lists of important risk factors and assumptions are not exhaustive. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. We undertake no obligation to update

publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

## **2. COMPANY OVERVIEW**

Pasofino is a Canadian-based mineral exploration company and trades on the TSX-V Exchange under the symbol VEIN and on the Frankfurt Exchange under the symbol N071. Pasofino has an option to acquire a 50% interest in the advanced-stage Roger Gold-Copper project ("Roger") located 5 km northwest of Chibougamau, Quebec. Pasofino also holds a 100% interest in the Waswanipi Gold Project located 125 km west of Chibougamau and 230 km northeast of Val d'Or. This project is situated within the prolific Abitibi greenstone belt, which has produced over 180 M oz. of gold and over 450 M tonnes of copper-zinc ore since the early 1900s.

On January 23, 2019, Steve Roebuck resigned as President, CEO and Director of the Company. Stephen Dunn, Director, was appointed CEO and Edward Milewski was also appointed as a Director. The Company also announced that it was no longer pursuing the Red Lake property acquisition, nor the proposed financing announced on October 29, 2018.

On March 1, 2019, the Company announced a proposed non-brokered private placement for aggregate gross proceeds of up to \$450,000 comprised of up to 9,000,000 units at a price of \$0.05 per unit (each such unit being comprised of one common share and one warrant exercisable at \$0.10 for 3 years). Completion of the Offering was subject to receipt of all required regulatory and TSX Venture Exchange approvals.

On May 15, 2019, the Company announced that further to its previous announcements on March 1, 2019, it would cancel the non-brokered private placement of up to 9,000,000 units ("Units") at a price of \$0.05 per Unit.

On June 20, 2019, the Company announced that it planned to consolidate (the "Consolidation") its issued and outstanding common shares (the "Common Shares") on the basis of one (1) post-Consolidation Common Share for every three (3) pre-Consolidation Common Shares. The share consolidation took effect on July 25, 2019.

On September 13, 2019, the Company announced it completed its previously announced non-brokered private placement for aggregate gross proceeds of up to \$450,000 comprised of up to 6,000,000 units ("Units") at a price of \$0.075 per Unit (each such unit being comprised of one common share and one warrant exercisable at \$0.12 for 2 years).

The Company intends to use the proceeds of the Private Placement for general working capital purposes.

### **Subsequent to the six months ended October 31, 2019, the following significant events occurred:**

There were no significant events subsequent to the six months ended October 31, 2019.

### 3. SUMMARY OF EXPLORATION ACTIVITIES

#### 3.1 Roger Gold-Copper Project

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

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

#### *Recent Exploration and Reporting*

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

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

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

- Hole 1206-18-85: 0.83 g/t Au over 112 m
- Hole 1206-18-87: 0.71 g/t Au over 147.8 m
  - including 1.07 g/t Au over 64.8 m
- Hole 1206-18-88: 0.73 g/t Au over 219.7 m
  - including 1.32 g/t Au over 57.7 m
- Hole 1206-18-89: 0.54 g/t Au over 230.1 m
- Hole 1206-18-94: 0.29 g/t Au over 514.5 m
  - including 0.89 g/t Au over 81.0 m
  - including 0.50 g/t Au over 219.5 m

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

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

202,000 AuEq oz in the Inferred category. Over 60% of the amended global resource is in the higher confidence Indicated category.

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

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

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

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

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

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

- Hole 1206-18-95: 1.08 g/t AuEq over 15 m
- Hole 1206-18-97: 0.55 g/t AuEq over 75.7 m
- Hole 1206-18-101: 10.98 g/t AuEq over 1.3 m
- Hole 1206-18-101: 94.26 g/t AuEq over 1.0 m
- Hole 1206-18-104: 0.65 g/t AuEq over 113.2 m
- Hole 1206-18-106: 0.51 g/t AuEq over 87.1 m
- Hole 1206-18-108: 37.62 g/t AuEq over 1.3 m

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

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

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

***Terms of the Roger Option Agreement***

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

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

The Option can be earned prior to the end of the 3-year period if Pasofino completes the work requirement and issues the common shares earlier.

SOQUEM will act as the sole manager of the Property prior to the exercise of the Option and will add a 10% management fee to the funds they manage, or in the case of third party work, a 5% management fee. Upon exercise of the Option, a joint venture (the “Joint Venture”) will be established to continue the exploration and potential development, construction, commercial production, mine closure and rehabilitation. Prior to the establishment of the Joint Venture, it is deemed that each party has contributed \$2,000,000 to the Property. Subsequent contributions to the Property will determine the interest of each party moving forward. If both parties agree to spend their relative proportion, the Joint Venture will continue on a 50-50 basis.

To date the Company has spent \$1.6 million towards the \$2 million earn in requirement.

### **3.2 Montalembert Gold Project**

The Montalembert Gold Project is located 125 km west of Chibougamau and 230 km northeast of Val d'Or in the Abitibi greenstone belt of central Quebec. On November 16, 2016, Pasofino entered an option agreement with Globex Mining Enterprises Inc. (“Globex”) (TSX: GMX) to earn a 100% interest in the Montalembert Gold Project, the terms of which are presented in the Company's November 16, 2016 press release. The option agreement was later amended as announced in the Company's November 15, 2017 press release. On August 17, 2018, Pasofino announced its election not to proceed with the option and provided ninety (90) days written notice to Globex to terminate the option, effective November 15, 2018.

### **3.3 Waswanipi Gold Project**

Pasofino holds a 100% interest in its Waswanipi Gold Project, a 19,352-hectare (47,818-acre) property acquired in 2018 that adjoins to the west and northeast of the Montalembert property. The land position covers a classic Abitibi greenstone belt sequence of deformed intermediate to mafic volcanics, felsic to mafic intrusive rocks and feldspar porphyry. Based on government assessment files, very limited exploration for gold has been conducted over the project area. Of this land package, Globex retains a 1.5% NSR on all claims acquired within 3 km of the external boundary of the Montalembert Property (see press release dated February 1, 2018).

#### 4. SELECTED FINANCIAL INFORMATION

As at October 31, 2019, the Company was a Tier 2 mining issuer and had not achieved any commercial operations. Accordingly, the Company has not recorded any revenues, and depends upon share issuances to fund its administrative expenses.

The following financial data are derived from the Company's financial statements for the six months ended October 31, 2019, October 31, 2018 and October 31, 2017 which have been prepared in accordance with IFRS:

(expressed in canadian dollars)	Three Months Ended			Six Months Ended		
	October 31st ,			October 31st ,		
	2019	2018	2017	2019	2018	2017
Office and general	2,225	44,885	141,710	30,715	72,726	279,460
Advertising and promotion	-	10,776	111,804	-	28,802	162,380
Management fees	15,000.00	-	-	33,000	-	-
Professional fees	92,838	20,445	175,617	119,719	36,161	384,602
Communications and travel	1,580	5,570	22,164	1,815	8,085	72,718
Interest Income	-	(116)	8,076	-	(301)	8,076
Share-based compensation	-	-	749,438	-	-	749,438
Net loss	(113,069)	26,945	142,975	(195,396)	(25,736)	1,106,289
Net loss per share - basic and diluted	(0.01)	0.00	(0.02)	(0.02)	0.00	0.00
Cash flow used in operations	(460,994)	91,678	278,451	(425,726)	(188,267)	739,949
Cash and cash equivalents	166,178	328,593	3,866,493	166,178	328,593	3,866,493
Working Capital	78,188	532,722	3,194,120	78,188	532,722	3,194,120

#### Six months ended October 31, 2019 Compared to six months ended October 31, 2018

##### Office and General

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2019	2018	2019	2018
Salaries	-	31,190	-	53,642
Administration and other expenses	(4,257)	5,918	6,441	9,764
Regulatory and shareholder filing fees	6,481	7,778	24,274	9,321
Total	\$ 2,224	\$ 44,885	\$ 30,715	\$ 72,726

##### Salaries

Salaries are lower than the comparable period due to a reduction in personnel during the six months ended October 31, 2019.

***Administration and other expenses***

Administration expenses were lower than the comparable period due to a reclassification of expenditures in general office and administration expenses.

***Regulatory and Shareholder filing fees***

There was an increase in regulatory and shareholder filing fees compared to the prior year period due to the filing fees associated with the share consolidation and non-brokered private placement during the six months ended October 31, 2019.

***Professional Fees***

	Three Months Ended		Six Months Ended	
	October 31,		October 31,	
	2019	2018	2019	2018
Consulting fees	79,604	-	98,604	11,628
Corporate secretary fees	1,840	3,607	4,765	5,355
Legal and audit fees	11,394	16,838	16,350	19,178
Total	\$ 92,838	\$ 20,445	\$ 119,719	\$ 36,161

***Consulting fees***

Consulting fees consists of management consultants, business development consultants, and communication consultants. During the six months ended October 31, 2019, consulting fees were higher than the comparable prior period due to an increase in the use of direct consultants.

***Corporate secretary fees***

Corporate secretary fees are related to corporate secretarial, compliance and reporting requirements. During the six months ended October 31, 2019, fees were lower than the prior comparable period due to the cancellation of outsourcing the Company's needs.

***Legal and Audit fees***

Legal and audit costs are related to compliance, government relations and other legal costs related to business development initiatives. During the six months ended October 31, 2019, fees were lower than the comparable prior period due to the decreased in the use of general legal services.

**SUMMARY OF CASH FLOWS**

(expressed in canadian dollars)	Six Months Ended	
	October 31,	
	2019	2018
Cash used in operating activities	(425,726)	(188,267)
Cash used in investing activities	-	(904,552)
Cash provided by financing activities	445,298	-
	19,572	(1,092,819)

### ***Operating Activities***

For the six months ended October 31, the Company had a cash outflow of \$425,726 compared to a cash outflow of \$188,267 in the prior year comparable period. This increase is due to an increase in corporate expenditures compared to the previous comparable period such as exploration expenditures, consulting fees and legal fees during the six months ended October 31, 2019.

### ***Investing Activities***

For the six months ended October 31, 2019, the Company had no investing cash outflows in 2019 compared to the prior year of investing cash outflow of \$904,552 due to the company's limited exploration program.

### ***Financing Activities***

For the six months ended October 31, 2019, proceeds of \$445,298 net of transaction costs, was provided by way of private placements.

## **SUMMARY OF QUARTERLY RESULTS AND REVIEW OF THREE AND SIX MONTHS ENDED OCTOBER 31, 2019**

	2019/2020	2019/2020	2018/2019	2018/2019	2018/2019	2018/2019	2017/2018	2017/2018
(expressed in canadian dollars)	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan	Aug-Oct	May-Jul	Feb-Apr	Nov-Jan
Expenses	111,642	73,608	1,649,615	88,330	81,676	64,097	265,522	328,380
Net (loss)/income	(113,069)	(82,328)	(1,595,195)	47,357	26,945	(52,681)	(4,952,610)	(235,456)
Net loss per share - basic and diluted	(0.01)	(0.01)	(0.22)	0.00	0.00	0.00	(0.11)	0.00
Cash and cash equivalents	166,178	181,874	146,606	47,484	328,593	871,471	1,421,413	2,468,536
Assets	218,989	224,875	270,262	2,213,786	2,350,326	2,116,594	2,361,674	7,605,652
Working Capital	78,188	(254,040)	(179,002)	(41,831)	532,722	1,119,973	1,390,406	2,486,673

The Company realized a net loss of \$113,069 during the last quarter versus a net loss of \$82,328 in the previous quarter. The quarterly variation is mainly attributable to the Company's increased use of consulting services.

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

## **5. RELATED PARTY TRANSACTIONS**

Summary of related party transactions and key management compensation:

	Six Months Ended October 31,	
	2019	2018
Salaries	\$ -	\$ 43,019
Management Fees	\$ 33,000	\$ -
Professional Fees	31,000	-
Total	\$ 64,000	\$ 43,019

Included in taxes and other receivables at October 31, 2019 is \$15,600 (April 30, 2018 - \$139,964) owing from a corporation with certain directors and officers in common with the Company. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

Professional fees consist of the Company's legal personnel and consultants. In 2019, these costs were significantly higher than the comparable year due to an increase in the use of direct consultants.

## 6. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position (cash and cash equivalents) as at October 31, 2019 was \$166,178 compared to \$328,593 as at October 31, 2018.

At October 31, 2019, the Company had an accumulated deficit of \$12,564,745 since inception (April 30, 2019 - \$12,369,349), expects to incur further losses in the development of its business, and had a net working capital of \$78,189 (April 30, 2019 - \$(179,002)).

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

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

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

## 7. OFF-BALANCE SHEET ARRANGEMENTS

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

## 8. COMMITMENTS

Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. The Company has indemnified the subscribers of current and

previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

## **9. DISCLOSURE CONTROLS AND PROCEDURES**

Management has established processes, which are in place to provide them with sufficient knowledge to support management representations that they have exercised reasonable diligence that:

- (i) the filings do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, with respect to the periods covered by the filings; and
- (ii) the financial statements together with the other financial information included in the interim filings of the Company fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the filings.

In contrast to the certificate required of non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company utilizes the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer, such as the Company, to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **10. CHANGES IN ACCOUNTING POLICIES**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after May 1, 2019. Many are not applicable or are not expected to have a significant impact to the Company and have been excluded. The company has not yet assessed the potential impact, if any, that these standards may have on its condensed consolidated interim financial statements. The following have not yet been adopted:

### **IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors**

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

### **IFRS 9, Financial Instruments**

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at May 1, 2018. There were no effects on opening balances at May 1, 2018 with respect to the adoption of these policies.

IFRS 9 replaces International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss (“FVPL”) or through other comprehensive income (“FVOCI”); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

Upon adoption of IFRS 9, the two main changes in the Company’s accounting policy on financial instruments are: i) equity investments previously classified as available-for-sale are now classified as financial assets measured at FVOCI and ii) derivative instruments previously held for trading now qualify for hedge accounting, including the Company’s commodity swap and option contracts, to the extent they comply with the IFRS 9 criteria for hedge accounting.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company’s financial instruments:

	<b>Financial instrument classification</b>	
	<b>Under IAS 39</b>	<b>Under IFRS 9</b>
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
Taxes and other receivables	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the six months ended October 31, 2018 was accounted for in accordance with the Company’s previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

### **IFRS 16 - Leases**

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Company's operating leases. The Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for financial years commencing on or after January 1, 2019.

### **IFRIC 23 – Uncertainty Over Income Tax Treatments**

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates.

## **11. RISKS AND UNCERTAINTIES**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### ***Credit Risk***

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash on deposits with banks and cash held in escrow with the Company's legal counsel. Included in taxes and other receivables is \$2,010 (April 30, 2019 - \$94,293) relating to sales taxes receivables from various Canadian governments. The remaining balance of \$15,600 (April 30, 2019 - \$15,600) relates to expense reimbursements due from third parties. Management believe that the credit risk concentration with respect to its financial instruments is remote.

### ***Liquidity Risk***

The Company's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at October 31, 2019, the Company had cash and cash equivalents and taxes and

other receivable balances of \$180,018 (April 30, 2019 - \$256,498) to settle current liabilities of \$140,800 (April 30, 2019 - \$441,974). All the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company remains dependent upon financing from capital markets.

### **Market Risk**

Market risk is the risk of loss that might arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to limited interest rate risk, as it only holds cash and does not have any interest-bearing debt.

ii) Foreign Currency Risk:

The Company also holds a bank account denominated in United States dollars; therefore, it is subject to risk in fluctuations in the exchange rate of the United States dollar. However, as at October 31, 2019, the Company had a minimal balance in its US bank balance; therefore, any change in the Canadian dollar versus the United States would be insignificant.

## **12. OUTSTANDING SHARE INFORMATION**

As at December 13, 2019		As at October 31, 2019	
Authorized	Unlimited	Authorized	Unlimited
Issued and outstanding shares	13,182,078	Issued and outstanding shares	13,182,078
Warrants	6,000,000	Warrants	6,000,000
Fully diluted	19,182,078	Fully diluted	19,182,078

## **13. CORPORATE INFORMATION**

Directors: Christian Scovenna  
Stephen Dunn  
Edward Milewski

Officers: Stephen Dunn, CEO  
Fiona Fitzmaurice, CFO

Auditor: McGovern Hurley LLP  
251 Consumers Road, Suite 800, Toronto, ON M2J 4R3

Transfer Agent: Computershare Trust Company  
Second Floor – 510 Burrard Street, Vancouver, BC, V6C 3B9

### **Contact Information**

Stephen Dunn, CEO  
Tel: 416 361 2827

#### **14. ADDITIONAL INFORMATION**

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