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**Pelangio Exploration Inc.**

**Consolidated Financial Statements**

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**December 31, 2020 and 2019**

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# **Pelangio Exploration Inc.**

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*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Pelangio Exploration Inc.

### **Opinion**

We have audited the consolidated financial statements of Pelangio Exploration Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of changes in equity, consolidated statements of operations and comprehensive loss and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020 and, as of that date, the Company had limited working capital, and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 22, 2021

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## Pelangio Exploration Inc.

### Consolidated Balance Sheets

Expressed in Canadian Dollars

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As at,	December 31, December 31,	
	2020	2019
	\$	\$
<b>Assets</b>		
<b>Current:</b>		
Cash	2,097,410	392,267
Amounts receivable	16,284	37,252
Prepaid expenses	66,388	46,701
Marketable securities, <i>note 6</i>	376,726	153,919
Total current assets	2,556,808	630,139
<b>Non-current assets:</b>		
<b>Equipment, <i>note 8</i></b>	12,994	17,178
<b>Total Assets</b>	<b>2,569,802</b>	<b>647,317</b>
<b>Liabilities</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities, <i>note 11</i>	619,965	573,085
Flow-through share liability, <i>note 9</i>	156,442	-
Total current liabilities	776,407	573,085
Loan repayable, <i>note 15</i>	40,000	-
<b>Total Liabilities</b>	<b>816,407</b>	<b>573,085</b>
<b>Shareholders' Equity</b>		
<b>Issued capital, <i>note 9</i></b>	57,585,961	55,271,909
<b>Equity reserves, <i>note 10</i></b>	2,135,865	1,413,093
<b>Deficit</b>	(57,968,431)	(56,610,770)
<b>Total Shareholder's Equity</b>	<b>1,753,395</b>	<b>74,232</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>2,569,802</b>	<b>647,317</b>

Going concern, commitments and contingencies, *notes 1, 7 and 12*

Subsequent events, *note 16*

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

"Ingrid Hibbard" \_\_\_\_\_ Director

"JC St-Amour" \_\_\_\_\_ Director

## Pelangio Exploration Inc.

### Consolidated Statements of Changes in Equity

Expressed in Canadian Dollars

	Shares #	Share Capital \$	Equity reserves \$	Deficit \$	Total equity \$
<b>December 31, 2018</b>	35,478,927	54,497,296	1,292,694	(55,284,040)	505,950
Expiry of options	-	-	(66,000)	66,000	-
Non-brokered private placement, net of issuance costs	2,800,000	346,134	-	-	346,134
Valuation of warrants issued in private placement	-	(130,870)	130,870	-	-
Flow-through shares issued, net of issuance costs	3,066,038	496,679	-	-	496,679
Flow-through share liability	-	(2,830)	-	-	(2,830)
Shares issued for property	290,000	65,500	-	-	65,500
Share based payments	-	-	55,529	-	55,529
Loss for the year	-	-	-	(1,392,730)	(1,392,730)
<b>December 31, 2019</b>	41,634,965	55,271,909	1,413,093	(56,610,770)	74,232
Exercise of options	12,500	3,375	(1,625)	-	1,750
Exercise of warrants	88,142	25,488	(7,859)	-	17,629
Expiry of warrants	-	-	(403,757)	403,757	-
Expiry of options	-	-	(45,090)	45,090	-
Non-brokered private placement, net of issuance costs	24,020,000	2,852,358	-	-	2,852,358
Valuation of warrants issued in private placement	-	(920,202)	920,202	-	-
Flow-through shares issued, net of issuance costs	4,127,436	612,961	-	-	612,961
Flow-through share liability	-	(280,928)	-	-	(280,928)
Shares issued for property	150,000	21,000	-	-	21,000
Share based payments	-	-	260,901	-	260,901
Loss for the year	-	-	-	(1,806,508)	(1,806,508)
<b>Balance at December 31, 2020</b>	<b>70,033,043</b>	<b>57,585,961</b>	<b>2,135,865</b>	<b>(57,968,431)</b>	<b>1,753,395</b>

See accompanying notes to the consolidated financial statements.

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## Pelangio Exploration Inc.

### Consolidated Statements of Operations and Comprehensive Loss

Expressed in Canadian Dollars

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For the years ended December 31,	2020	2019
	\$	\$
<b>Expenses:</b>		
Salaries and employee benefits	105,556	83,782
Consulting services, <i>note 11</i>	455,325	380,237
Exploration and evaluation expenses, <i>note 7</i>	969,052	630,420
Foreign exchange loss	12,536	10,135
Insurance	23,530	21,902
Investor relations	88,002	131,643
Office and general	64,037	61,448
Professional fees, <i>note 11</i>	195,611	120,585
Share-based payments, <i>note 10</i>	260,901	55,529
Transfer agent and filing fees	60,699	25,395
Travel	-	754
Amortization, <i>note 8</i>	4,184	5,806
<b>Total expenses</b>	<b>2,239,433</b>	<b>1,527,636</b>
<b>Loss before other items</b>	<b>(2,239,433)</b>	<b>(1,527,636)</b>
<b>Other items:</b>		
Property option, <i>note 7</i>	235,726	51,000
Realized gain on disposal of marketable securities, <i>note 6</i>	2,188	94,349
Interest revenue	525	6,795
Unrealized gain (loss) on marketable securities, <i>note 6</i>	70,000	(25,888)
Flow-through share premium income, <i>note 9</i>	124,486	9,489
Loss on disposal of equipment	-	(839)
<b>Total other items</b>	<b>432,925</b>	<b>134,906</b>
<b>Net loss and comprehensive loss for the year</b>	<b>(1,806,508)</b>	<b>(1,392,730)</b>
<b>Net loss per common share:</b>		
- basic	(0.04)	(0.04)
- diluted	(0.04)	(0.04)
<b>Weighted average number of common shares outstanding:</b>		
- basic	<b>50,157,069</b>	<b>38,732,173</b>
- diluted	<b>50,157,069</b>	<b>38,732,173</b>

See accompanying notes to the consolidated financial statements.



# Pelangio Exploration Inc.

## Consolidated Statements of Cash Flows

Expressed in Canadian dollars

For the years ended December 31,	2020	2019
	\$	\$
<b>Cash was provided by (used in):</b>		
<b>Operating activities:</b>		
Net loss for the year	(1,806,508)	(1,392,730)
Items not affecting cash:		
Loss on disposal of equipment	-	839
Realized gain on disposal of marketable securities, <i>note 6</i>	(2,188)	(94,349)
Unrealized loss (gain) on marketable securities, <i>note 6</i>	(70,000)	25,888
Shares issued for exploration and evaluation expenses	21,000	65,500
Shares received for option income	(230,726)	-
Flow-through share premium income, <i>note 9</i>	(124,486)	(9,489)
Amortization, <i>note 8</i>	4,184	5,806
Share-based payments, <i>note 10</i>	260,901	55,529
	<b>(1,947,823)</b>	<b>(1,343,006)</b>
Cash was provided by (used to finance) changes in the following working capital items:		
Amounts receivable	20,968	(24,611)
Prepaid expenses	(19,687)	(38,172)
Accounts payable and accrued liabilities	81,918	(79,838)
Income tax payable	-	(1,346)
Net change in non-cash working capital	<b>83,199</b>	<b>(143,967)</b>
Net cash used in operating activities	<b>(1,864,624)</b>	<b>(1,486,973)</b>
<b>Investing activities:</b>		
Purchase of marketable securities	-	(276,200)
Proceeds from disposal of marketable securities	45,069	314,414
Net cash provided by investing activities	<b>45,069</b>	<b>38,214</b>
<b>Financing activities:</b>		
Increase in long-term debt	40,000	-
Share subscriptions	-	(16,755)
Non-brokered private placement, <i>note 9</i>	3,028,400	410,000
Issue costs, <i>note 9</i>	(176,042)	(63,866)
Flow-through shares, <i>note 9</i>	633,200	525,000
Issue costs, <i>note 9</i>	(20,239)	(28,321)
Options exercised	1,750	-
Warrants exercised, <i>notes 9 and 10</i>	17,629	-
Net cash provided by financing activities	<b>3,524,698</b>	<b>826,058</b>
<b>Change in cash</b>	<b>1,705,143</b>	<b>(622,701)</b>
Cash, beginning of year	392,267	1,014,968
<b>Cash, end of year</b>	<b>2,097,410</b>	<b>392,267</b>
Supplemental information,		
Finders' warrants issued, <i>note 9</i>	39,820	23,434
Marketable securities disposed of in settlement of accounts payable, <i>note 6</i>	35,038	-

See accompanying notes to the consolidated financial statements.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 1. Nature of operations and going concern

Pelangio Exploration Inc. (the "Company" or "Pelangio") was incorporated on February 27, 2008 under the Alberta Business Corporations Act and continued under the Canada Business Corporations Act (the "Act") on June 25, 2009. The principal business of the Company is the acquisition, exploration and development of mineral property interests in Canada and Ghana, Africa. The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of Canada. The head office is located at 82 Richmond Street, Toronto, Ontario M5C 1P1.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts expended on exploration and evaluation activities is dependant upon a discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such properties at a profit. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation, currency exchange fluctuations and restrictions and political uncertainty.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, unregistered prior claims and agreements, aboriginal claims, social license requirements and non-compliance with regulatory requirements.

The Company had a net loss of \$1,806,508 (2019 - \$1,392,730) for the year ended December 31, 2020 and had an accumulated deficit of \$57,968,431 (2019 - \$56,610,770) and working capital of \$1,780,401 (2019 - \$57,054) as at December 31, 2020. These conditions indicate the existence of material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on the Company being able to satisfy its liabilities as they become due, the Company being able to obtain the necessary financing to complete the development of its mineral properties, the attainment of profitable mining operations, and, or the receipt of proceeds from the disposition of its mineral properties. The outcome of these matters cannot be predicted at this time. There is no assurance that funds will be available on terms acceptable to the Company or at all. These consolidated financial statements do not include any adjustments to the carrying values and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its liabilities in anything other than the ordinary course of operations. Such adjustments could be material.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 1. Nature of operations and going concern (continued)

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

### 2. Basis of presentation

(a) Statement of compliance with International Financial Reporting Standards

These consolidated financial statements, including comparatives, have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis.

These consolidated financial statements were authorized for issuance by the Board of Directors on April 22, 2021.

#### Current accounting changes

During 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards. These included IAS 1 and IFRS 3. These new standards and changes did not have any material impact on the Company’s consolidated financial statements.

#### Future Accounting changes

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 2. Basis of presentation (continued)

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on or after January 1, 2023.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on or after January 1, 2022.

### 3. Significant accounting policies

#### (a) Currency translation

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss.

#### (b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances are eliminated on consolidation. For partly owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. The Company owns all subsidiaries at 100% for all periods presented (see Note 11).

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(c) Critical judgments and estimation uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

i) Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

ii) Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

iii) Estimation of closure and reclamation costs and the timing of expenditure

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Closure, reclamation and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of closure, reclamation or similar liabilities that may occur upon closure of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

iv) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

v) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

vi) Business combinations vs. asset acquisitions

Determination of whether a set of assets acquired and liabilities assumed constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. In making this determination, the Company considers items including, but not limited to: whether there are inputs and processes attributable to the set of assets and liabilities, the extent of the infrastructure in place, the work required to bring the acquired assets to production and whether the project has resources or reserves. Such judgments are inherently uncertain and could have a significant effect on the method of accounting for the acquisition and the disclosures required.

vii) Fair value of investment in securities not quoted in an active market

Where the fair value of financial assets and liabilities recorded on the consolidated balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. Refer to note 5 for further details.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

viii) Contingencies

Refer to Note 12.

(d) Exploration and evaluation costs

Exploration and evaluation costs are expensed as incurred and included in the statement of operations and comprehensive loss until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties. Exploration costs include an allocation of administration and salary costs as determined by management.

Farm-outs in the exploration and evaluation phase

The Company does not record any expenditures made by the farmee on its account. Any cash consideration received directly from the farmee is credited against costs expensed in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

(e) Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Equipment is depreciated over the estimated useful lives of the assets on the declining balance basis using the following annual rates:

Computer hardware	55%
Furniture and equipment	20%
Vehicles	30%

(f) Provision for closure and reclamation

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs.

The Company does not currently have any significant legal or constructive obligations relating to reclamation or closure of its exploration and evaluation property interests; and therefore, no closure and reclamation liabilities have been recorded as at December 31, 2020 and 2019.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(g) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects.

Common shares issued for consideration other than cash, are valued based on their market value at the date the agreement to issue shares was concluded.

(i) Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. The Company's financial instruments consist of cash, amounts receivable, public investments, private investments, accounts payable and accrued liabilities.

(i) Investments

Purchases and sales of investments are recognized on a trade date basis. Public and private investments at fair value through profit or loss are initially recognized at fair value, with changes in fair value reported in profit (loss).

At each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and reflects such valuations in the financial statements.



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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Investments (continued)

Transaction costs are expensed as incurred in the statements of loss. The determination of fair value requires judgment and is based on market information where available and appropriate. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such changes in valuations in the statements of income/loss. The Company is also required to present its investments (and other financial assets and liabilities reported at fair value) into three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring the fair value, and to provide additional disclosure in connection therewith (see Note 5, "Fair value of financial instruments"). The three levels are defined as follows:

Level 1 – investment with quoted market price;

Level 2 – investment which valuation technique is based on observable market inputs; and

Level 3 – investment which valuation technique is based on non-observable market inputs.

#### Publicly-traded investments:

1. Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 as disclosed in Note 5.

2. Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. Shares that are received as part of a private placement that are subject to a standard four-month hold period are not discounted. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee corporation, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. These are included in Level 2 in Note 5.

3. Warrants or options of publicly-traded securities which do not have a quoted price are carried at an estimated fair value calculated using the Black-Scholes option pricing model if sufficient and reliable observable market inputs are available. If no such market inputs are available or reliable, the warrants and options are valued at intrinsic value. These are included in Level 2 as disclosed in Note 5.

The amounts at which the Company's publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Investments (continued)

#### **Privately-held investments:**

1. Securities in privately-held companies (other than options and warrants) are initially recorded at cost, being the fair value at the time of acquisition. At the end of each financial reporting period, the Company's management estimates the fair value of investments based on the criteria below and reflects such valuations in the financial statements. These are included in Level 3 as disclosed in Note 5. Options and warrants of private companies are carried at their intrinsic value.

With respect to valuation, the financial information of private companies in which the Company has investments may not always be available, or such information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these may not be realized or realizable. In addition to the events described below, which may affect a specific investment, the Company will take into account general market conditions when valuing the privately-held investments in its portfolio. In the absence of occurrence of any of these events or any significant change in general market conditions indicates generally that the fair value of the investment has not materially changed.

2. An upward adjustment is considered appropriate and supported by pervasive and objective evidence such as a significant subsequent equity financing by an unrelated investor at a transaction price higher than the Company's carrying value; or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and therefore, its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates which, for example, reduce the corporate tax burden, permit mining where, or to an extent that, it was not previously allowed, or reduce or eliminate the need for permitting or approvals;
- receipt by the investee company of environmental, mining, aboriginal or similar approvals, which allow the investee company to proceed with its project(s);
- filing by the investee company of a National Instrument 43-101 technical report in respect of a previously non-compliant resource;
- release by the investee company of positive exploration results, which either proves or expands their resource prospects; and
- important positive management changes by the investee company that the Company's management believes will have a very positive impact on the investee company's ability to achieve its objectives and build value for shareholders.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(i) Financial instruments (continued)

(i) Investments (continued)

#### **Privately-held investments (continued):**

3. Downward adjustments to carrying values are made when there is evidence of a decline in value as indicated by the assessment of the financial condition of the investment based on third party financing, operational results, forecasts, and other developments since acquisition, or if there have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and therefore, its fair value. The amount of the change to the fair value of the investment is based on management's judgment and any value estimated may not be realized or realizable. Such events include, without limitation:

- political changes in a country in which the investee company operates which increases the tax burden on companies, which prohibit mining where it was previously allowed, which increases the need for permitting or approvals, etc.;
- denial of the investee company's application for environmental, mining, aboriginal or similar approvals which prohibit the investee company from proceeding with its projects;
- the investee company releases negative exploration results;
- changes to the management of the investee company take place which the Company believes will have a negative impact on the investee company's ability to achieve its objectives and build value for shareholders;
- the investee company is placed into receivership or bankruptcy; and
- based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.

The resulting values may differ from values that would be realized had a ready market existed. The amounts at which the Company's privately-held investments could be disposed of may differ from the carrying value assigned. Such differences could be material.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

- (i) Financial instruments (continued)
- (ii) Financial assets other than investments at fair value and liabilities

#### **Financial assets**

##### **Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

##### **Subsequent measurement – financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. Cash and amounts receivable were held at amortized cost.

##### **Subsequent measurement – financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company’s marketable securities are classified as financial assets at FVPL.

##### **Subsequent measurement – financial assets at FVOCI**

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Financial assets other than investments at fair value and liabilities (continued)

Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

#### **Derecognition**

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### **Impairment of financial assets**

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### **Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities and loan repayable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

##### **Subsequent measurement – financial liabilities at amortized cost**

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

##### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(j) Share-based payments

The Company has a share option plan that is described in note 10. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity reserves. Consideration received on the exercise of stock options is recorded as issued capital and the related equity reserve is transferred to issued capital. Charges for options that are forfeited before vesting are reversed from equity reserves. Upon expiry, the recorded value is transferred to deficit.

(k) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-dilutive.

(l) Impairment of non-current assets

The carrying value of equipment is assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

(m) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company separates the flow-through share into (i) a flow-through share premium for which a liability is recognized, equal to the difference between the current market price of the Company's common shares and the issue price of the flow-through share and (ii) share capital. Upon expenses being incurred, the premium is recognized as premium income.

Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of one to two years.

### 4. Operating segments

*Geographical information*

The Company operates in two principal geographical areas – Ghana and Canada. Information about the Company's equipment by geographical location is detailed below:

Ghana	\$12,176	(December 31, 2019 - \$16,156)
Canada	\$818	(December 31, 2019 - \$1,022)

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

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### 5. Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures from the previous period.

#### Credit risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash has been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

#### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of \$2,097,410 (December 31, 2019 - \$392,267) to settle current liabilities of \$776,407 (December 31, 2019 - \$573,085). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The company's loan repayable is described in Note 15.

Of the accounts payable and accrued liabilities as at December 31, 2020, \$212,500 (2019 - \$212,500) is an amount of accrued wages to the Company president. This amount is unsecured, non-interest bearing and is due on demand.

#### Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is sensitive to changes in the interest rates through interest income earned on its cash balance.

#### Price risk

Price risk with respect to commodity prices is remote since the Company is not a producing entity. The Company is exposed to price risk with respect to its marketable securities. Unfavourable market conditions could result in disposition of the investments at less than favourable prices.

#### Fair value of financial instruments

IFRS require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.



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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 5. Financial risk factors (continued)

#### Fair value of financial instruments (continued)

As at December 31, 2020 and 2019, the carrying and fair value amounts of the Company's financial instruments, other than marketable securities are approximately the same because of the short-term nature of these instruments.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the input used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted market prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Company has determined the carrying values of its financial instruments as follows:

- i. The carrying values of cash, amounts receivable, accounts payable and accrued liabilities and loan repayable approximate their fair values due to the short-term nature of these instruments.
- ii. Public and private investments are carried at amounts in accordance with the Company's accounting policies as set out in Note 3.
- iii. Prior to maturity, the outstanding loans receivable are carried at their discounted value. Following their maturity, loans receivables are carried at their estimated realizable value.

The following table illustrates the classification and hierarchy of the Company's financial instruments, measured at fair value in the statements of financial position as at December 31, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	(Quoted	(Valuation	(Valuation	
	Market price)	technique -	technique -	
Investments, fair value		observable	non-	Total
		market inputs)	observable	
			market inputs)	
Publicly traded investments	120,000	-	-	120,000
Private investment	-	-	256,726	256,726
December 31, 2020	120,000	-	256,726	376,726

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	(Quoted	(Valuation	(Valuation	
	Market price)	technique -	technique -	
Investments, fair value		observable	non-	Total
		market inputs)	observable	
			market inputs)	
Publicly traded investments	43,719	-	-	43,719
Private investment	-	-	110,200	110,200
December 31, 2019	43,719	-	110,200	153,919

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 5. Financial risk factors (continued)

#### Fair value of financial instruments (continued)

Within Level 3, the Company includes private company investments that are not quoted on an exchange. The key assumptions used in the valuation of these instruments include (but are not limited to) the value at which a recent financing was done by the investee, company-specific information, trends in general market conditions and the share performance of comparable publicly-traded companies. The following table presents the fair value, categorized by key valuation techniques and the unobservable inputs used within Level 3 as at December 31, 2020.

Description	Fair Value	Valuation Technique	Significant unobservable input(s)	Range of significant unobservable input(s)
Quantus Resources Corp	\$ 65,000	Recent financing	Marketability of shares	0% discount
Record Gold Corp	\$191,726	Recent financing	Marketability of shares	0% discount

As valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate within short periods of time and are based on estimates, determination of fair value may differ materially from the values that would have resulted if a ready market existed for the investments. Given the size of the private investment portfolio, such changes may have a significant impact on the Company's financial condition or operating results.

#### Quantus Resources Corp

On January 29, 2019, the Company invested in Quantus Resources Corp, a private company with an Option Agreement to acquire 100% interest in the Black Hawk mining property, located in San Bernardino County, California, USA. The valuation is based on the most recent financing and management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2020. As at December 31, 2020, a +/- 10% change in the fair value of Quantus Resources Corp will result in a corresponding +/- \$6,500 change in the carrying amount. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

#### Record Gold Corp

On September 2, 2020, the Company entered into an option agreement with Jubilee Minerals Inc. on its Birch Lake property. Consideration received for this option was 4,667,940 common shares of Record Gold Corp. The valuation is based on the most recent financing and management has determined that there are no reasonably possible alternative assumptions that would change the fair value significantly as at December 31, 2020. As at December 31, 2020, a +/- 10% change in the fair value of Record Gold Corp will result in a corresponding +/- \$19,173 change in the carrying amount. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 5. Financial risk factors (continued)

#### Fair value of financial instruments (continued)

The sensitivity analysis is intended to reflect the significant uncertainty inherent in the valuation of private investments under current market conditions, and the results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the estimated fair value of these investments. Furthermore, the analysis does not indicate a probability of changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

#### Market risk

##### Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to fluctuations in the market price of certain minerals.

##### Foreign exchange risk

The Company is subject to foreign exchange risk as some of its operating and investing activities are transacted in currencies other than the Canadian dollar, including the US dollar and the Ghanaian cedi. The Company is therefore subject to gains and losses due to fluctuations in these currencies relative to the Canadian dollar.

##### Sensitivity analysis

Based on management's knowledge and experience of the financial markets, management believes the following movements are "reasonably possible" over a one year period:

As at December 31, 2020, the Company held approximately \$147,000 (December 31, 2019 - \$74,000) of cash balances denominated in US dollars. As at December 31, 2020, the Company had accounts payable and accrued liabilities denominated in US dollars of \$36,000 (December 31, 2019 - \$34,000). A 10% change in the value of the Canadian dollar compared to the other foreign currencies in which the Company transacts would result in a corresponding foreign exchange gain/loss of approximately \$11,000 based on the balance of monetary assets and liabilities at December 31, 2020 (December 31, 2019 - \$4,000).

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 6. Marketable securities

The Company holds shares in certain public and private companies in the mining industry. During the year ended December 31, 2020, these shares were fair valued and this resulted in an unrealized gain (loss) of \$70,000 (2019 - \$(25,888)).

The following table summarizes information regarding the Company's marketable securities for the years ended December 31, 2020 and December 31, 2019.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	\$	\$
Balance, beginning of year	153,919	123,672
Acquisitions	230,726	276,200
Disposals	(80,107)	(314,414)
Realized gains	2,188	94,349
Change in fair value	70,000	(25,888)
Balance, end of year	<u>376,726</u>	<u>153,919</u>

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 7. Exploration and evaluation expenses

Transactions related to Canadian exploration for the year ended December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
<b>Grenfell</b>		
Drilling and assaying	238,650	-
Field supplies	23,976	5,788
Geologists	32,718	3,600
Other	574	2,885
Wages	3,075	-
	<b>298,993</b>	<b>12,273</b>
<b>Hailstone</b>		
Drilling and assaying	-	4,417
Field supplies	41,665	7,894
Geologists	14,200	20,800
IP Survey	14,289	-
Option payments	15,000	17,000
Till sampling	20,819	-
	<b>105,973</b>	<b>50,111</b>
<b>Dome West</b>		
Drilling and assaying	-	94,369
Field supplies	75	10,175
Geologists	-	23,799
Option payments	51,000	60,000
	<b>51,075</b>	<b>188,343</b>
<b>Other</b>	<b>12,416</b>	<b>2,636</b>
<b>Dalton</b>		
Drilling and assaying	125,786	128,807
Field supplies	7,180	7,629
Geologists	10,600	18,204
Option payments	-	40,500
	<b>143,566</b>	<b>195,140</b>
<b>Total Canadian Exploration</b>	<b>612,023</b>	<b>448,503</b>

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 7. Exploration and evaluation expenses (continued)

Transactions related to Ghanaian exploration for the year ended December 31, 2020 and for the year ended December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
<b>Manfo</b>		
Accounting services	3,041	6,826
Contract workers	27,336	5,375
Corporate social responsibility	2,526	8,654
Crop compensation	207	-
Drilling and assaying	796	-
Field supplies	3,162	-
Geologists	36,497	68,144
In-country logistics	16,802	8,418
Other	-	1,739
Permits and licenses	-	3,579
Security	1,257	-
Site meal services	925	1,046
Soil sampling	50,785	1,220
Travel and vehicle	10,478	17,694
	<b>153,812</b>	<b>122,695</b>
<b>Dankran</b>		
Contract workers	504	-
Corporate social responsibility	1,921	-
Geologists	18,668	-
In-country logistics	73	-
Option payments	114,218	-
Permits and licenses	587	-
Site meal services	130	-
Soil sampling	26,959	-
Travel and vehicle	4,227	-
	<b>167,287</b>	<b>-</b>
<b>Obuasi</b>		
Accounting services	4,725	-
Contract workers	1,739	2,332
Consultancy	-	17,100
Corporate social responsibility	242	91
Field supplies	-	624
Geologists	16,864	30,125
In-country logistics	8,193	2,620
Permits and licenses	-	765
Site meal services	278	156
Soil sampling	1,296	-
Travel and vehicle	2,593	5,409
	<b>35,930</b>	<b>59,222</b>
<b>Total Ghanaian Exploration</b>	<b>357,029</b>	<b>181,917</b>
<b>Total Exploration</b>	<b>969,052</b>	<b>630,420</b>

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 7. Exploration and evaluation expenses (continued)

#### Obuasi, Ghana

Pursuant to a letter agreement dated September 23, 2005, as amended November 18, 2005, and replaced by option agreements dated May 3, 2006, certain of the Company's subsidiaries acquired options to acquire 100% (subject to a 5% royalty interest and a 10% interest held by the Ghanaian government and the right of the Ghanaian government to acquire a further 20% interest on mutually agreed terms) of a property in southwest Ghana, West Africa. The optioned property consists of the Kyereboso #2, Kyereboso #3, Meduma and Adokwae concessions, which were acquired from two private Ghanaian corporations. The Meduma concession is in good standing until January 26, 2023 and the Adokwae concession, the Kyereboso #2 and Kyereboso #3 renewal applications are pending and such renewals are not assured.

During 2011, the Company made the final payment and acquired a 100% interest in the Obuasi Property.

The property is subject to net smelter return royalties of 2%.

#### Manfo, Ghana

During 2010, the Company entered into three definitive option agreements in respect of the concessions comprising the Manfo Property pursuant to which the Company has an option to acquire a 100% interest (subject to a 5% royalty interest and a 10% interest held by the Ghanaian government and the right of the Ghanaian government to acquire a further 20% interest on mutually agreed terms) in each of the concessions. The optioned property consists of the Subriso, Twabidi and Sempekrom concessions, which were acquired from one private Ghanaian corporation. The Subriso concession is in good standing until January 27, 2024, the Sempekrom concession is in good standing until February 4, 2024 and Twabidi concession renewal is pending and such renewal is not assured. The Subriso, Twabidi and Sempekrom concessions are referred to as the Manfo Property.

During 2011, the Company completed the option terms and had earned a 100% interest in the Manfo Property. The property is subject to a 2% net smelter royalty ("NSR") subject to the Company's right to repurchase 1% of the NSR for a payment of US \$4,000,000.

The Company (or its successor or permitted assignee) will pay the optionor a discovery bonus totaling the sum of (i) US\$1,000,000 plus (ii) US\$1.00 per ounce of proven and probable gold reserves set out in the first positive feasibility study published or released in respect of the Manfo Property.

During 2013, the Company paid \$55,303 to enter into a review period with the optionor of the Manfo property regarding the NSR repurchase terms. The review period ends when the market conditions improve such that the Company is able to complete a single financing amount of greater than \$2,000,000. As at December 31, 2020, the Company remains in the review period.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 7. Exploration and evaluation expenses (continued)

#### Dankran Property

On November 12, 2020, the Company entered into an Option Agreement with BNT Resources Ghana Ltd., ("BNT") to acquire 100% interest in the Subriso-Kokotro concession, located adjacent to the Company's Obuasi project. In order to acquire a 100% interest in the Dankran property, the Company must:

- (a) pay to BNT \$50,000 USD upon receipt of offer letter from the Minerals Commission confirming the Commission's recommendation to the Minister to grant the prospecting license to BNT (paid);
- (b) pay to BNT \$50,000 USD upon the effective date of the agreement (paid);
- (c) pay to BNT \$100,000 USD upon or before six months from the effective date;
- (d) pay to BNT \$100,000 USD on or before two years from the effective date;
- (e) issue to BNT 250,000 common shares on or before six months from the effective date;
- (f) issue to BNT 750,000 common shares on or before two years from the effective date; and
- (g) grant to BNT at 2% NSR within ten days of fulfilling (a) to (f) above.

#### Grenfell Property

The Gowan Property consists of certain leases and claims located in Grenfell Township.

#### Dome West Property

The Dome West Property consists of certain mining cells in Tisdale Township. Pursuant to an agreement dated January 29, 2019, the Company has a right to earn a 100% interest in the property by issuing an aggregate of 500,000 shares, make cash payments of \$220,000 and complete \$750,000 of exploration expenses as follows:

- (a) issue 150,000 shares and cash payment of \$15,000 upon acceptance of the agreement by the TSXV (issued and paid). The shares issued were valued at \$45,000 based on the quoted market price on the date of issuance;
- (b) issue 150,000 shares and cash payment of \$30,000 and incur \$110,000 of exploration expenses on or before the first anniversary of the acceptance date (issued, paid and incurred). The shares issued were valued at \$21,000 based on the quoted market price on the date of issuance;
- (c) issue 100,000 shares and cash payment of \$75,000 and incur \$115,000 of exploration expenses on or before the second anniversary of the acceptance date (see note 16);
- (d) issue 100,000 shares and cash payment of \$100,000 and incur \$225,000 of exploration expenses on or before the third anniversary of the acceptance date; and
- (e) incur \$300,000 of exploration expenses on or before the fourth anniversary of the acceptance date.

Upon exercise of the option the Dome West Property will be subject to net smelter return of 3%. The Company has the right to purchase a 1.0% royalty for \$1,000,000.



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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 7. Exploration and evaluation expenses (continued)

#### Hailstone property

On July 15, 2019, the Company entered into an option agreement, amended October 1, 2019, to acquire a 90% interest in the Hailstone property, comprised of certain mineral claims located in La Ronge, Northern Mining District, Saskatchewan pursuant to an agreement between First Geolas Consulting and the Company. Pursuant to the agreement the company agreed to issue 50,000 shares, make cash payment of \$75,000 and complete \$285,000 of exploration expenditures over a three year period from the acceptance date of the agreement.

The Company has a right to earn a 51% interest in the property by issuing an aggregate of 50,000 shares, making cash payments of \$25,000 and completing \$135,000 of exploration expenses as follows:

- (a) issue 50,000 shares and cash payment of \$10,000 upon acceptance of the agreement by the TSXV (issued and paid). The shares issued were valued at \$7,000 based on the quoted market price on the date of issuance;
- (b) incur \$29,000 of exploration on or before October 1, 2019 (incurred);
- (c) make a cash payment of \$15,000 on or before the first anniversary of the acceptance date (paid); and
- (d) incur \$106,000 of exploration expenses on or before the second anniversary of the acceptance date and grant 1.5% Net Smelter Royalty ("NSR") on or before the second anniversary of the acceptance date.

In the event that the Company wishes to acquire an additional 39% interest in the Hailstone Property it shall make a cash payment of \$50,000 and complete \$150,000 of exploration expenses as follows:

- (a) make a cash payment of \$50,000 on or before the second anniversary of the acceptance date; and
- (b) incur \$150,000 of exploration expenses on or before the third anniversary of the acceptance date.

The Hailstone property is subject to an NSR of 1.5%.

#### Gowan Property

The Gowan Property consists of certain claims located in Gowan Township.

#### Birch Lake, Canada

Birch Lake consists of the following:

- (i) A 100% interest in certain unpatented mining claims in Keigat Lake and Casummit Lake Townships, Ontario. The property is subject to net smelter return royalties of 2%.
- (ii) 100% interest in certain unpatented mining claims in Keigat Lake and Casummit Lake Townships, Ontario.

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# **Pelangio Exploration Inc.**

## **Notes to the Consolidated Financial Statements**

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### **7. Exploration and evaluation expenses (continued)**

#### **Option Agreement Birch Lake**

The Company entered into an option agreement dated August 31, 2020, with Jubilee Minerals Inc., ("Jubilee") on the Birch Lake Project.

To exercise the option and earn a 70% interest in the Birch Lake Project, Jubilee must:

- (a) pay to Pelangio \$5,000 on the date the agreement is accepted by the TSXV (received); and
- (b) undertake a total of \$2,000,000 in exploration expenditures on the Birch Lake Project, within four years of the date of the Option Agreement (the "Effective Date") as follows:
  - (i) \$500,000 on or before the first anniversary of the Effective Date;
  - (ii) \$500,000 on or before the second anniversary of the Effective Date;
  - (iii) \$500,000 on or before the third anniversary of the Effective Date; and
  - (iv) \$500,000 on or before the fourth anniversary of the Effective Date.

#### **Birch Lake West**

The Birch Lake West property consists of certain unpatented claims in the Casummit Lake Township, Ontario, west of and adjacent to the Company's Birch Lake property.

#### **Poirier Gold**

Poirier Gold consists of one mining lease made up of two mining claims in Bristol Township, Ontario. The property is subject to net smelter return royalties of 2%.

#### **Montcalm and Nova Properties**

The Montcalm and Nova Properties consists of a 1.25% NSR held on certain unpatented mining claims located in Montcalm and Nova Townships.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 7. Exploration and evaluation expenses (continued)

#### Dalton Property

The Dalton Property consists of certain patented claims located in Ogden Township. The Company has a 10% interest and had an option to earn a further 90% interest in the property by issuing an aggregate of 370,000 shares, making cash payments of \$199,500 and completing \$750,000 of exploration expenses as follows:

- (a) issue 100,000 shares and cash payment of \$15,000 upon acceptance of the agreement by the TSXV (issued and paid). The shares issued were valued at \$17,500 based on the quoted market price on the date of issuance;
- (b) issue 90,000 shares (issued) and cash payment of \$27,000 (paid) and incur \$75,000 of exploration expenses on or before the first anniversary of the acceptance date (incurred). The shares issued were valued at \$13,500 based on the quoted market price on the date of issuance;
- (c) issue 90,000 shares and cash payment of \$67,500 and incur \$150,000 of exploration expenses on or before the second anniversary of the acceptance date;
- (d) issue 90,000 shares and cash payment of \$90,000 and incur \$225,000 of exploration expenses on or before the third anniversary of the acceptance date; and
- (e) incur \$300,000 of exploration expenses on or before the fourth anniversary of the acceptance date.

On August 26, 2020, the Company relinquished its option to earn the remaining 90% interest in the Dalton Property.

#### Strachan Property

The Strachan Property consists of certain claim units located in Melrose Township.

On January 18, 2019, the Company entered into a binding letter of intent with Pancontinental Resources Corporation ("Pancon"), whereby Pancon can earn up to a 75% interest in the Strachan Property by the issuance of 400,000 common shares over three years, making payments in aggregate of \$40,000 over three years and completing \$750,000 of exploration expenditures over six years.

Pursuant to this agreement, Pancon issued 100,000 common shares and made a cash payment of \$10,000 to 5007223 Ontario Inc.

On August 13, 2020, the Company's interest in the Strachan property claims was extinguished.

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## Pelangio Exploration Inc.

### Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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#### 8. Equipment

	Computer hardware	Furniture and equipment	Vehicles	Total
	\$	\$	\$	\$
Cost December 31, 2018	14,687	79,108	146,500	240,295
Disposals	(838)	-	-	(838)
Cost December 31, 2019	13,849	79,108	146,500	239,457
December 31, 2020	13,849	79,108	146,500	239,457
Accumulated depreciation				
December 31, 2018	12,726	65,409	138,338	216,473
Charges for the year	617	2,740	2,449	5,806
December 31, 2019	13,343	68,149	140,787	222,279
Charges for the year	278	2,192	1,714	4,184
December 31, 2020	13,621	70,341	142,501	226,463
Net book value				
December 31, 2020	228	8,767	3,999	12,994
Net book value				
December 31, 2019	506	10,959	5,713	17,178

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 9. Issued Capital

(i) Authorized

Authorized share capital consists of an unlimited number of common shares without par value.

(ii) Non-brokered private placements

In January of 2019, the Company completed a non-brokered private placement financing of 1,800,000 units at a price of \$0.15 per unit for gross proceeds of \$270,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.20 per common share until January 18, 2021.

The Company paid a finder's fee of \$15,600 in cash and 104,000 non-transferable finder's warrants, with each such warrant entitling the holder thereof to acquire one common share at a price of \$0.20 per share until January 18, 2021.

In January of 2019, the Company completed a non-brokered flow-through financing of 566,038 flow-through common shares at a price of \$0.265 per unit for gross proceeds of \$150,000. The Company paid a finder's fee of \$6,970 in cash. The flow-through shares were issued at an average premium of \$0.005 to the current market price of the Company's shares at the day of issue. The premium was recognized as a current liability for \$2,830 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred.

In August of 2019, the Company completed a non-brokered private placement financing of 1,000,000 common shares at a price of \$0.14 per share and 1,000,000 flow-through shares at a price of \$0.15 per flow-through share for total gross proceeds of \$290,000. The Company paid finder's fees totaling \$12,947 and 88,142 compensation warrants to certain introducing parties in respect of the private placement. Each compensation warrant entitles the holder thereof to acquire one common share at a price of \$0.20 per share until August 13, 2020.

In December of 2019, the Company completed a non-brokered flow-through financing of 1,500,000 flow-through common shares at a price of \$0.15 per share for gross proceeds of \$225,000. The Company paid a finder's fee of \$4,221 and 28,140 compensation warrants to certain introducing parties in respect of the private placement. Each compensation warrant entitles the holder thereof to acquire one common share at a price of \$0.20 per share until December 20, 2020.

In May of 2020, the Company completed a non-brokered private placement financing in two tranches. The first tranche of 5,000,000 units at a price of \$0.12 per unit and 957,142 flow-through shares at a price of \$0.14 per flow-through share, for gross proceeds of \$734,000, closed on May 19, 2020. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.18 per common share until May 19, 2022.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 9. Issued capital (continued)

#### (ii) Non-brokered private placements (continued)

The Company paid finder's fees of \$26,460 in cash and 220,500 non-transferable finder's warrants, with each such warrant entitling the holder thereof to acquire one common share at a price of \$0.18 per share until May 19, 2022.

The second tranche of 4,420,000 units at a price of \$0.12 per unit and 1,325,000 flow-through shares at a price of \$0.14 per flow-through share for gross proceeds of 715,900 closed on May 27, 2020. Each hard dollar unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.18 per common share until May 19, 2022.

The Company paid finder's fees of \$5,530 in cash and 40,250 non-transferable finder's warrants, with each such warrant entitling the holder thereof to acquire one common share at a price of \$0.18 per share until May 19, 2022.

The flow-through shares were issued at a premium to the current market price of the Company's shares at the day of the issue. The premium was recognized as a current liability for \$133,069 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred.

In December of 2020, the Company completed a non-brokered private placement financing in two tranches. The first tranche of 7,950,000 units at a price of \$0.13 per unit and 1,220,000 flow-through shares at a price of \$0.17 per flow-through share, for gross proceeds of \$1,240,900, closed December 3, 2020. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.18 per common share until December 3, 2022.

The Company paid finder's fees of \$50,778 in cash and 379,400 non-transferrable finder's warrants, with each such warrant entitling the holder thereof to acquire one common share at a price of \$0.18 per share until December 3, 2022.

The second tranche of 6,650,000 units at a price of \$0.13 per unit and 625,294 flow-through shares at a price of \$0.17 per flow-through share, for gross proceeds of \$970,800, closed December 10, 2020. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.18 per common share until December 3, 2022.

The Company paid finder's fees of \$48,230 in cash and 364,000 non-transferrable finder's warrants, with each such warrant entitling the holder thereof to acquire one common share at a price of \$0.18 per share until December 3, 2022.

The flow-through shares were issued at a premium to the current market price of the Company's shares at the day of issue. The premium was recognized as a current liability for \$147,859 with a subsequent pro-rata reduction of the liability recognized as flow-through premium income as the required expenditures are incurred.

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## Pelangio Exploration Inc.

### Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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#### 10. Equity reserves

	No. of options #	Weighted Average Exercise Price \$	Grant Date Fair Value of options \$	No. of warrants #	Weighted Average Exercise Price \$	Grant Date Fair Value of warrants \$	Total Value \$
December 31, 2018	1,126,000	0.35	220,027	7,232,640	0.68	1,072,667	1,292,694
Granted/Expensed	140,000	0.16	55,529	2,020,282	0.40	130,870	186,399
Expired	(119,500)	0.50	(66,000)	-	-	-	(66,000)
December 31, 2019	<b>1,146,500</b>	<b>0.38</b>	<b>209,556</b>	<b>9,252,922</b>	<b>0.40</b>	<b>1,203,537</b>	<b>1,413,093</b>
Granted/Expensed	3,787,500	0.18	260,901	32,424,150	0.18	1,712,122	1,973,023
Exercised	(12,500)	0.13	(1,625)	(88,142)	(0.20)	(7,859)	(9,484)
Expired	(150,000)	0.50	(45,090)	(9,164,780)	(0.46)	(1,195,677)	(1,240,767)
December 31, 2020	<b>4,771,500</b>	<b>0.38</b>	<b>423,742</b>	<b>32,424,150</b>	<b>0.21</b>	<b>1,712,123</b>	<b>2,135,865</b>

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

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### 10. Equity reserves (continued)

#### *Employee share option plan*

The Company has a share option plan to assist the Company in attracting, retaining and motivating directors, key officers, employees and consultants of the Company and to closely align the personal interests of such parties with those of the shareholders by providing them with the opportunity, through options, to acquire common shares of the Company. The maximum number of shares reserved for issuance under the share option plan is limited to 5,300,000 common shares of the Company. Share options granted under the share option plan vest in four equal installments, being at the date of grant, and at the end of each six-month period ended thereafter.

The following share option arrangements were in existence as at December 31, 2020:

Date Granted	Options Granted	Options Exercisable	Exercise Price \$	Expiry Date
January 19, 2016	310,000	310,000	0.50	January 19, 2021
May 8, 2017	139,500	139,500	0.50	May 8, 2022
June 16, 2017	37,000	37,000	0.50	June 16, 2022
February 27, 2018	20,000	20,000	0.55	February 27, 2023
November 1, 2018	350,000	350,000	0.18	November 1, 2023
February 27, 2019	125,000	125,000	0.32	February 27, 2024
July 11, 2019	15,000	11,250	0.16	July 11, 2024
May 4, 2020	487,500	237,500	0.14	May 4, 2025
June 2, 2020	160,000	80,000	0.19	June 2, 2025
August 20, 2020	130,000	32,500	0.23	August 20, 2025
November 5, 2020	2,997,500	749,375	0.17	November 5, 2025
	<b>4,771,500</b>	<b>2,092,125</b>	<b>0.33</b>	

The weighted average exercise price of options exercisable at December 31, 2020 was \$0.21 (December 31, 2019 - \$0.40).

The weighted average remaining contractual life of options outstanding at December 31, 2020 is 4.13 years (December 31, 2019 - 2.42 years).



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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

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### 10. Equity reserves (continued)

The fair value of share options granted has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Grant date	Expected dividend yield %	Risk-free interest rate %	Expected volatility %	Expected life	Estimated grant date fair value \$
January 19, 2016	0	0.68	115	5 years	49,000
May 8, 2017	0	0.50	136	5 years	42,000
June 16, 2017	0	0.50	137	5 years	15,000
February 27, 2018	0	1.75	148	5 years	10,000
November 1, 2018	0	2.27	173	5 years	133,000
February 27, 2019	0	1.91	174	5 years	38,000
July 11, 2019	0	1.62	164	5 years	2,000
May 4, 2020	0	0.40	151	5 years	65,000
June 2, 2020	0	0.38	151	5 years	27,000
August 20, 2020	0	0.41	141	5 years	26,000
November 5, 2020	0	0.45	137	5 years	390,000

The estimated weighted average grant date fair value of options granted during 2020 was \$0.13 (2019 - \$0.29).

Expected volatility is estimated by considering the historic average share price volatility.

The following warrant arrangements were in existence as at December 31, 2020:

Warrants #	Exercise Price \$	Estimated Grant Date Fair Value \$	Expiry Date
3,200,000	0.20	194,439	July 31, 2023
1,800,000	0.20	107,436	July 31, 2023
9,420,000	0.18	343,164	May 19, 2022
260,750	0.18	9,987	May 19, 2022
7,950,000	0.18	292,527	December 3, 2022
379,400	0.18	15,224	December 3, 2022
6,650,000	0.18	244,693	December 3, 2022
364,000	0.18	14,607	December 3, 2022
2,400,000	0.50	490,046	December 15, 2022
<b>32,424,150</b>	<b>0.21</b>	<b>1,712,123</b>	

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 10. Equity reserves (continued)

On December 10, 2020, the Company announced the extension and amendment of the terms of certain warrants. The warrants were initially issued pursuant to non-brokered private placements closed on December 15, 2017, January 17, 2018, December 18, 2018 and January 18, 2019. The changes are as follows:

Warrants Outstanding #	Original Exercise Price	Original Expiry Date	New Exercise Price	New Expiration Date
2,400,000	0.70	December 15, 2020	0.50	December 15, 2022
3,200,000	0.20	December 18, 2020	0.20	July 31, 2023
1,800,000	0.20	January 18, 2021	0.20	July 31, 2023

The fair value of warrants granted has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Grant date	Expected dividend yield %	Risk-free interest rate %	Expected volatility %	Expected life (Years)	Estimated grant date fair value \$
December 15, 2017	0	1.55	149	3	490,046
December 18, 2018	0	1.90	173	3	194,439
January 18, 2019	0	1.83	171	3	107,436
May 19, 2020	0	0.42	150	2	38,013
December 3, 2020	0	0.46	137	2	47,013
December 10, 2020	0	0.46	136	2	41,742

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 11. Related party information

These consolidated financial statements include the financial statements of the Company and its subsidiaries and their respective effective ownership listed in the following table:

Pelangio Mines (B) Inc. (Barbados)	100%
Pelangio Adansi Asaasi (G) Limited (Ghana)	100%
Pelangio Kyereboso Mining (G) Limited (Ghana)	100%
Pelangio Adansi Gold (G) Limited (Ghana)	100%
Pelangio Edubiase (G) Limited (Ghana)	100%
Pelangio Ahafo (B) Inc. (Barbados)	100%
Pelangio Ahafo (G) Limited (Ghana)	100%
5007223 Ontario Inc. (Canada)	100%
2090720 Ontario Inc. (Canada)	100%
2229667 Ontario Inc. (Canada)	100%

The following transactions were entered into with related parties that are not subsidiaries of the Company during the years ended December 31, 2020 and 2019:

	2020	2019
	\$	\$
With a Ghanaian corporation controlled by an officer of the Company:		
Exploration and evaluation expenses	44,530	54,806
With Canadian corporations controlled by an officer of the Company:		
Exploration and evaluation (Senior VP Exploration)	93,748	27,028
Exploration and evaluation (V.P. Corporate Development)	59,367	72,077
With a partnership in which an officer of the Company is a partner:		
Accounting services	117,440	125,514
With an officer of the Company:		
Consulting services (Senior Technical Advisor)	-	11,360
With related parties of the Company:		
Number of stock options	2,217,500	105,000

Of the accounting service fees, \$28,756 (2019 - \$51,230) is included in professional fees and \$81,668 (2019 - \$72,335) is included in consulting services on the consolidated statement of operations.

Accounts payable and accrued liabilities as at December 31, 2020 include amounts owing to directors and officers in the amount of \$337,187 (December 31, 2019 - \$398,044). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

These transactions with related parties were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

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### 11. Related party information (continued)

In the 2020 non-brokered private placements described in note 9(ii), directors and officers of the Company and members of their families subscribed for the following units and gross proceeds:

	<u>Units/Shares</u>	<u>Proceeds (\$)</u>
May 2020	425,000	51,000
May 2020 - Flow through	143,000	20,020
December 2020	250,000	32,500
December 2020 - Flow through	300,000	51,000
	<u>1,118,000</u>	<u>154,520</u>

In the 2019 non-brokered private placements described in note 9(ii), directors and officers of the Company and members of their families subscribed for the following units and gross proceeds:

	<u>Units/Shares</u>	<u>Proceeds (\$)</u>
August 2019	437,500	61,250
August 2019 - Flow through	133,333	20,000
December 2019 - Flow through	246,000	36,900
	<u>816,833</u>	<u>118,150</u>

The remuneration of directors and other members of key management personnel during the years ended December 31, 2020 and 2019 were as follows:

For the year ended December 31,	<b>2020</b>	<b>2019</b>
	\$	\$
Short-term benefits	48,134	48,137
Share-based payments	141,900	44,969

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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December 31, 2020 and 2019

(expressed in Canadian dollars unless otherwise noted)

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### 12. Commitments and contingencies

The Company is party to employment agreements with its employees. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events such as change of control. The additional commitments total approximately \$135,000. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business.

The Company has been named in an action involving one of the vendors of the Obuasi Property relating to such vendor's corporate history and founding shareholders and the ownership of the lands covered by the Kyereboso #2 and Kyereboso #3 prospecting licences. The action is the subject of a pre-trial motion and has not yet proceeded to trial. An interlocutory injunction has been granted preventing all parties from selling any interest in the property pending final determination of the matter. Pelangio has appealed against this ruling and such appeal is yet to be determined.

In addition, the Company is involved in litigation regarding the termination of an option agreement in respect of the New Edubiase concession, which the Company considers to be without merit, based on a reasoned assessment by management of all available information including legal advice received regarding the basis in law for the counterparty's claim.

The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2020 and 2019, no amounts have been accrued related to such matters. As at December 31, 2020, the Company has the following flow-through funds to be spent by December 31, 2021:

<u>Closing date of financing</u>	<u>Remaining funds (\$)</u>
May 2020	25,391
December 2020	313,700
<u>Total</u>	<u>339,091</u>

The Company indemnifies subscribers to flow-through shares for tax-related amounts that may become due as a result of the Company not meeting its obligations under the flow-through subscription agreements.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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### 13. Income taxes

Provisions for income taxes

Major items causing the Company's income tax rate to differ from the combined Canadian Federal and Provincial statutory income tax rate of approximately 26.5% (2019 - 26.5%) approximate the following:

	2020	2019
	\$	\$
<b>Loss before income taxes</b>	<b>(1,806,508)</b>	<b>(1,392,730)</b>
Expected income tax benefit based on statutory rates	(550,000)	(369,000)
Adjustment to expected income tax benefit:		
Non deductible expenses	154,000	38,000
Change in benefit of tax assets not recognized	372,000	331,000
Change in valuation allowance	24,000	(7,000)
<b>Income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

Deferred Income Tax

Deferred income tax assets (liabilities) recorded in Ghana are as follows:

	2020	2019
	\$	\$
Equipment	24,000	(7,000)
Non-capital losses	(24,000)	7,000
<b>Net tax assets (liabilities)</b>	<b>-</b>	<b>-</b>

Deferred tax assets in Canada have not been recognized in respect of the following deductible temporary differences:

	December 31, 2020	December 31, 2019
	\$	\$
Non-capital losses carried forward	13,893,000	13,374,000
Non-capital losses carried forward (Ghana)	2,106,000	1,883,000
Capital losses carried forward	5,179,000	5,179,000
Exploration and evaluation assets	372,000	331,000
Share issue costs	283,000	191,000
Marketable securities	-	26,000
Equipment	1,300	2,000
	<b>21,834,300</b>	<b>20,986,000</b>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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(expressed in Canadian dollars unless otherwise noted)

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### 13. Income taxes (continued)

Deferred Income Tax (continued)

The Company has approximately \$13,893,000 of non-capital losses in Canada, which under certain circumstances can be used to reduce taxable income of future years. The amount and year of expiry of the losses are as follows:

	\$
2028	389,000
2029	1,693,000
2030	1,552,000
2031	2,860,000
2032	1,919,000
2033	1,354,000
2034	888,000
2035	411,000
2036	381,000
2037	283,000
2038	836,000
2039	808,000
2040	519,000
	<u>13,893,000</u>

The Company has approximately \$372,000 of Canadian exploration and development expenditures as at December 31, 2020, which under certain circumstances may be utilized to reduce taxable income of future years.

### 14. Capital management

The capital of the Company consists of common shares, treasury shares, warrants and options. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of its exploration and evaluation assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, seek debt financing, or acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the risks, objectives, policies and procedures in 2019 or 2020.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2020 and 2019. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As at December 31, 2020, the Company is compliant with Policy 2.5.

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# Pelangio Exploration Inc.

## Notes to the Consolidated Financial Statements

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### 15. Loan Payable

On May 7, 2020, the Company was approved for a \$40,000 non-interest bearing bank loan under the Canada Emergency Business Account ("CEBA") program funded by the Government of Canada. The CEBA loan may be repaid at any time without notice or penalty. Up to 25% of the loan may be forgiven if 75% of the CEBA loan is repaid by December 31, 2022. In addition, the loan is not subject to any interest charges if repaid prior to December 31, 2022.

### 16. Subsequent events

#### (a) Dome West property option

On January 21, 2021 the Company issued 100,000 common shares and made a cash payment of \$75,000 to Mr. Francois Desrosiers and 6398651 Canada Inc, as per the Dome West property option agreement disclosed in note 7. Due to unforeseen delay in work progress, as a result of COVID-19 access restrictions by surface rights holders, the Company exercised the "force majeure" clause in the option agreement in order to extend the time required for the work commitments to be made on the property, as per the terms of the option agreement. This clause was lifted on February 19, 2021 and plans are underway to finalize drill hole locations and access permits from surface rights holders.

#### (b) Expiry of options

On January 19, 2021, 307,500 options with an exercise price of \$0.50, as disclosed in note 10, expired unexercised.

#### (c) Grant of stock options

On March 17, 2021, the Company granted 150,000 stock options to a director of the Company, which are exercisable into common shares of the Company at a price of \$0.17 per share. Subject to the Company's stock option plan the options vest in four equal instalments, being at the date of grant and the end of each six-month period ended thereafter, have a term of five years and will expire on March 17, 2026.