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**Pelangio Exploration Inc.**

**Unaudited Condensed Interim Consolidated Financial Statements**

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**March 31, 2020**

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# **Pelangio Exploration Inc.**

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**March 31, 2020**

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### **Notice of Non-Review of Consolidated Interim Financial Statements**

**The attached condensed interim consolidated financial statements for the three-month period ended March 31, 2020 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.**

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## Pelangio Exploration Inc.

### Unaudited Condensed Interim Consolidated Balance Sheet

Expressed in Canadian Dollars

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	March 31 2020	December 31 2019
	\$	\$
<b>Assets</b>		
<b>Current:</b>		
Cash	87,347	392,267
Amounts receivable	23,964	37,252
Prepaid expenses	41,867	46,701
Marketable securities, <i>note 6</i>	124,750	153,919
Total current assets	277,928	630,139
<b>Non-current assets:</b>		
<b>Equipment, <i>note 8</i></b>	16,132	17,178
<b>Total Assets</b>	<b>294,060</b>	<b>647,317</b>
<b>Liabilities</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities, <i>note 11</i>	640,159	573,085
Total current liabilities	640,159	573,085
<b>Total Liabilities</b>	640,159	573,085
<b>Shareholders' Equity</b>		
<b>Issued capital, <i>note 9</i></b>	55,292,909	55,271,909
<b>Equity reserves, <i>note 10</i></b>	1,401,348	1,413,093
<b>Deficit</b>	(57,040,356)	(56,610,770)
<b>Total Equity</b>	(346,099)	74,232
	<b>294,060</b>	<b>647,317</b>

Commitments and contingencies, notes 1, 7 and 12

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Approved on behalf of the Board:

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

"Carl Nurmi" \_\_\_\_\_ Director

## Pelangio Exploration Inc.

### Unaudited Condensed Interim Consolidated Statement of Changes in Equity

Expressed in Canadian Dollars

	Shares #	Share Capital \$	Equity reserves \$	Retained earnings (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	1,800,000	228,047	-	-	228,047
Valuation of warrants issued in private placement	-	(120,611)	120,611	-	-
Flow-through shares issued, net of issuance costs	566,038	143,030	-	-	143,030
Flow-through share liability	-	(2,830)	-	-	(2,830)
Shares issued for property	150,000	45,000	-	-	45,000
Share based payments	-	-	25,904	-	25,904
Loss for the three months	-	-	-	(297,247)	(297,247)
<b>March 31, 2019</b>	37,994,965	54,789,932	1,373,209	(55,515,287)	647,854
Non-brokered private placement, net of issuance costs	1,000,000	118,087	-	-	118,087
Valuation of warrants issued in private placement	-	(10,259)	10,259	-	-
Flow-through shares issued, net of issuance costs	2,500,000	353,649	-	-	353,649
Shares issued for property	140,000	20,500	-	-	20,500
Share based payments	-	-	29,625	-	29,625
Loss for nine months	-	-	-	(1,095,483)	(1,095,483)
<b>December 31, 2019</b>	<b>41,634,965</b>	<b>55,271,909</b>	<b>1,413,093</b>	<b>(56,610,770)</b>	<b>74,232</b>
Expiry of options	-	-	(23,609)	23,609	-
Shares issued for property	150,000	21,000	-	-	21,000
Share based payments	-	-	11,864	-	11,864
Income for three months	-	-	-	(453,195)	(453,195)
<b>Balance at March 31, 2020</b>	<b>41,784,965</b>	<b>55,292,909</b>	<b>1,401,348</b>	<b>(57,040,356)</b>	<b>(346,099)</b>

See accompanying notes to the unaudited condensed interim consolidated financial statements.

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## Pelangio Exploration Inc.

### Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

Expressed in Canadian Dollars

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For the three months ended March 31	2020	2019
	\$	\$
<b>Expenses:</b>		
Salaries and employee benefits	20,085	21,284
Consulting services, <i>note 11</i>	96,304	88,255
Exploration and evaluation expenses, <i>note 7</i>	258,189	158,210
Foreign exchange loss (recovery)	(13)	(9,646)
Insurance	5,631	4,893
Investor relations	22,575	58,609
Office and general	9,684	6,747
Professional fees, <i>note 11</i>	31,026	41,379
Share-based payments, <i>note 10</i>	11,864	25,904
Transfer agent and filing fees	12,705	11,780
Travel	-	754
Amortization	1,046	1,451
	<b>469,096</b>	<b>409,620</b>
<b>Loss from operations</b>	<b>(469,096)</b>	<b>(409,620)</b>
<b>Other gains and losses</b>		
Realized gain on disposal of marketable securities, <i>note 6</i>	2,151	60,734
Unrealized gain on marketable securities, <i>note 6</i>	13,750	19,294
Flow-through share premium income, <i>note 10</i>	-	4,845
Property option, <i>note 7</i>	-	27,500
	<b>15,901</b>	<b>112,373</b>
<b>Net loss and comprehensive loss for the period</b>	<b>(453,195)</b>	<b>(297,247)</b>
<b>Net loss per common share:</b>		
- basic	(0.01)	(0.01)
- diluted	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding:</b>		
- basic	<b>41,756,943</b>	<b>37,438,864</b>
- diluted	<b>41,756,943</b>	<b>37,438,864</b>

See accompanying notes to the unaudited condensed interim consolidated financial statements.

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## Pelangio Exploration Inc.

### Unaudited Condensed Interim Consolidated Statements of Cash Flows

Expressed in Canadian dollars

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For the three months ended March 31	2020	2019
	\$	\$
<b>Cash was provided by (used for):</b>		
<b>Operating activities:</b>		
Net loss for the period	(453,195)	(297,247)
Items not affecting cash:		
Realized gain on disposal of marketable securities	(2,151)	(60,734)
Unrealized gain on marketable securities	(13,750)	(19,294)
Flow-through share premium income	-	(4,845)
Shares issued for property acquisition	21,000	45,000
Amortization	1,046	1,451
Share-based payments	11,864	25,904
	<b>(435,186)</b>	<b>(309,765)</b>
Cash was provided by (used to finance) changes in the following working capital items:		
Amounts receivable	13,288	(1,582)
Prepaid expenses	4,834	(702)
Accounts payable and accrued liabilities	67,074	25,492
Income tax payable	-	(1,345)
Net change in non-cash working capital	<b>85,196</b>	<b>21,863</b>
Net cash used in operating activities	<b>(349,990)</b>	<b>(287,902)</b>
<b>Investing activities:</b>		
Purchase of marketable securities	-	(212,500)
Proceeds from disposal of marketable securities	45,070	178,374
Net cash provided by investing activities	<b>45,070</b>	<b>(34,126)</b>
<b>Financing activities:</b>		
Share subscriptions	-	(16,755)
Non-brokered private placement	-	420,000
Issue costs	-	(48,923)
Net cash provided by financing activities	-	<b>354,322</b>
<b>Change in cash</b>	<b>(304,920)</b>	<b>32,294</b>
Cash, beginning of period	392,267	1,014,968
<b>Cash, end of period</b>	<b>87,347</b>	<b>1,047,262</b>
Supplemental information		
Finders warrants issued	-	13,174

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See accompanying notes to the unaudited condensed interim consolidated financial statements.

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

March 31, 2020

(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 East, 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 shown for exploration and evaluation assets 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. Changes in future conditions could require material writedowns of the carrying value of exploration and evaluation assets. 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 and non-compliance with regulatory requirements.

The Company had a net loss of \$453,195 for the three months ended March 31, 2020 (March 31, 2019 - \$297,247) and had an accumulated deficit of \$57,040,356 (December 31, 2019 - \$56,610,770) and working capital deficiency of 362,231 (December 31, 2019 - working capital of 57,054). 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 Unaudited Condensed Interim Consolidated Financial Statements

March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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### **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

The interim condensed consolidated financial statements for the three months ended March 31, 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at December 31, 2019.

Current accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2020 or later. Updates that are not applicable or are not consequential to the Company have been excluded.

### **3. Significant accounting policies**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statement for the year ended December 31, 2019.

These unaudited condensed interim consolidated financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2019. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

The significant accounting policies followed in these condensed interim financial statements are consistent with those applied in the Corporation's audited annual consolidated financial statements for the year ended December 31, 2019.

#### **Use of critical estimates and judgments**

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.



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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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### 3. Significant accounting policies (continued)

The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future year if the revision affects both current and future year.

In preparing these condensed interim consolidated financial statements, the significant judgments and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2019 other than as noted below.

The outbreak of the novel coronavirus ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The Company was unable to carry out diamond drilling exploration due to access restrictions put in place by landowners. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management's assumption that the Company will continue to operate as a going concern.

The exploration industry is working with both Federal and Provincial Governments to help lobby an extension of the flow-through spending during this crisis.

### 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	\$15,161	(March 31, 2019 - \$21,157)
Canada	\$971	(March 31, 2019 - \$1,214)

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# **Pelangio Exploration Inc.**

## **Notes to the Unaudited Condensed Interim Consolidated Financial Statements**

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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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 changes in the risks, objectives, policies and procedures from the previous period.

#### **Credit risk**

The Company's credit risk is primarily attributable to cash and amounts receivable. 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**

As at March 31, 2020, the Company had a cash balance of \$87,347 (March 31, 2019 - \$773,954) to settle current liabilities of \$640,159 (March 31, 2019 - \$559,988). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Of the accounts payable and accrued liabilities \$212,500 (March 31, 2019 - \$212,500) is an amount of accrued wages to the Company president. This amount is unsecured, has no fixed terms of repayment 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.

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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### 5. Financial risk factors (continued)

#### 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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

As at March 31, 2020 and December 31, 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 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 the December 31, 2019 audited consolidated financial statements.
- 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 March 31, 2020 and December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	(Quoted Market price)	(Valuation technique - observable market inputs)	(Valuation technique - non-observable market inputs)	Total
Investments, fair value				
Publicly traded investments	24,750	-	-	24,750
Private investment	-	-	100,000	100,000
March 31, 2020	24,750	-	100,000	124,750

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
	(Quoted Market price)	(Valuation technique - observable market inputs)	(Valuation technique - non-observable market inputs)	Total
Investments, fair value				
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 Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(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 March 31, 2020.

Description	Fair Value	Valuation Technique	Significant unobservable input(s)	Range of significant unobservable input(s)
Quantus Resources Corp	\$ 100,000	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 March 31, 2020. As at March 31, 2020, a +/- 10% change in the fair value of Quantus Resources Corp will result in a corresponding +/- \$10,000 change in the carrying amount. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significant of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. See note 15.

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.

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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### 5. Financial risk factors (continued)

#### 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 three month period:

As at March 31, 2020 the Company held approximately \$20,000 (December 31, 2019 - \$29,000) of cash balances denominated in US dollars. As at March 31, 2020, the Company had accounts payable and accrued liabilities denominated in US dollars of approximately \$57,000 (December 31, 2019 - \$24,000). 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 \$4,000 based on the balance of monetary assets and liabilities at March 31, 2020.

A 10% change in the closing price of its marketable securities would result in an estimated gain/loss of \$12,000 based on the fair value of the marketable securities held at March 31, 2020 (\$15,000 - December 31, 2019).

### 6. Marketable securities

The Company holds shares in certain public and private companies in the mining industry. During the period ended March 31, 2020, these shares were fair valued and this resulted in an unrealized gain of \$13,750 (March 31, 2019 - \$19,294).

The following table summarizes information regarding the Company's marketable securities as at March 31, 2020 and December 31, 2019.

As at	March 31, 2020 \$	December 31, 2019 \$
Balance, beginning of period	153,919	123,672
Acquisitions	-	276,200
Disposals	(45,070)	(314,414)
Realized gain	2,151	94,349
Unrealized gain (loss) on mark-to-market	13,750	(25,888)
<b>Balance, end of period</b>	<b>124,750</b>	<b>153,919</b>

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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### 7. Exploration and evaluation expenses

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

	March 31, 2020	December 31, 2019
<b>Dalton</b>		
Drilling and assaying	-	128,807
Field supplies	125	7,629
Geologists	-	18,204
Option payments	-	40,500
	<b>125</b>	<b>195,140</b>
<b>Dome West</b>		
Drilling and assaying	-	94,369
Field supplies	3,075	10,175
Geologists	-	23,799
Option payments	51,000	60,000
	<b>54,075</b>	<b>188,343</b>
<b>Grenfell</b>		
Drilling and assaying	155,552	-
Field supplies	5,381	5,788
Geologists	13,150	3,600
Other	-	2,885
	<b>174,083</b>	<b>12,273</b>
<b>Hailstone</b>		
Drilling and assaying	-	4,417
Field supplies	-	7,894
Geologists	-	20,800
Option payments	-	17,000
	-	<b>50,111</b>
<b>Other</b>		
Other	1,000	2,636
	<b>1,000</b>	<b>2,636</b>
<b>Total Canadian Exploration</b>	<b>229,283</b>	<b>448,503</b>

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## Pelangio Exploration Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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

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

	March 31, 2020	December 31, 2019
<b>Manfo</b>		
Accounting services	-	6,826
Contract workers	7,164	5,375
Corporate social responsibility	242	8,654
Drilling and assaying	434	-
Geologists	7,060	68,144
In-country logistics	1,077	8,418
Other	-	1,739
Permits and licenses	-	3,579
Security	479	-
Site meal services	155	1,046
Soil sampling	-	1,220
Travel and vehicle	2,573	17,694
	<b>19,184</b>	<b>122,695</b>
<b>Obuasi</b>		
Contract workers	453	2,332
Consultancy	-	17,100
Corporate social responsibility	242	91
Field supplies	-	624
Geologists	6,342	30,125
In-country logistics	433	2,620
Permits and licenses	-	765
Site meal services	278	156
Travel and vehicle	1,974	5,409
	<b>9,722</b>	<b>59,222</b>
<b>Total Ghanaian Exploration</b>	<b>28,906</b>	<b>181,917</b>
<b>Total Exploration</b>	<b>258,189</b>	<b>630,420</b>

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(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, the Kyereboso #2 and Kyereboso #3 concession 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 and the Sempekrom concession renewal is pending. A renewal or extension for Twabidi is pending and such renewal or extension 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 assign) 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 March 31, 2020, the Company remains in the review period.



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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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

#### Akroma, Ghana

During 2011, the Company entered into an option agreement 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 the Akroma Property. Pursuant to the option agreement on the Akroma Property, in order to acquire a 100% interest in the property, the Company paid US\$50,000 and issued 200,000 common shares to the optionor over a three-year period. During 2014, the Company completed the option terms by the issuance of the final 70,000 common shares and earned a 100% interest in the Akroma Property.

The Company must also grant the optionor a 2% NSR upon making the payment and share issuances described above, of which 1% may be repurchased at any time for a cash payment of US\$2 million.

During the second quarter of 2014, the Company completed the option terms and had earned a 100% interest in the Akroma Property. The Akroma Property consists of two separate land packages, Dormaa and Wamfie. The Dormaa concession renewal is pending and such renewal is not assured. The conversion of the Wamfie concession to a Prospecting Licence is still pending and there is no assurance that such conversion will be completed.

#### Option Agreement Dormaa

The Company's wholly-owned subsidiary Pelangio Ahafo (G) Limited entered into an option and joint venture agreement dated November 7, 2016 and amended on February 14, 2017 and June 7, 2018, with RosCan Minerals Corporation ("RosCan") on the Dormaa Project.

RosCan elected to discontinue the option on the Dormaa property effective August 15, 2018.

#### 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, acquired as part of acquisition of 5SD Capital.

The Company entered into an option agreement dated March 14, 2017 with Pacton Gold Inc. ("Pacton").

Pacton provided the Company notice of termination of the option agreement on March 26, 2018.

#### Poirier Gold, Canada

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%.

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

March 31, 2020

(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 right to earn a 100% interest in the property by issuing an aggregate of 370,000 shares, make cash payments of \$199,500 and complete \$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.

The Dalton Property is subject to net smelter return of 2.7%. The Company has the right to purchase 0.9% of the royalty for \$900,000.

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

The Montcalm and Nova Properties consists of a 50% interest in certain unpatented mining claims located in Montcalm and Nova Townships. Pancontinental Resources Corporation ("Pancon") has a right to earn a 100% interest in the Company's 50% interest in the properties by issuing an aggregate of 450,000 common shares and make cash payments of \$52,500 over the next two years.

Pursuant to this agreement, Pancon issued 150,000 common shares and made a cash payment of \$17,500 to 5007223 Ontario Inc.

#### **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 3 years, making payments in aggregate of \$40,000 over 3 years and completing \$750,000 of exploration expenditures over 6 years.

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

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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

#### **Gowan Property**

The Gowan Property consists of certain claims located in Gowan Township. Amex Exploration Limited has a right to earn a 100% interest in the property by issuing an aggregate of 400,000 common shares and make cash payments of \$20,000. Pursuant to this agreement, Amex Exploration Limited previously issued 100,000 common shares and made a cash payment of \$5,000 to 5SD Capital.

#### **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;
- (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.

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

#### **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, make cash payments of \$25,000 and complete \$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);

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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

#### Hailstone property (continued)

- (c) make a cash payment of \$15,000 on or before the first anniversary of the acceptance date;
- (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;
- (b) incur \$150,000 of exploration expenses on or before the third anniversary of the acceptance date.

The Hailstone property is subject to net smelter royalties of 1.5%.

### 8. Equipment

	Computer hardware \$	Furniture and equipment \$	Vehicles \$	Total \$
Cost at December 31, 2019	13,849	79,108	146,500	239,457
Additions	-	-	-	-
March 31, 2020	13,849	79,108	146,500	239,457
Accumulated depreciation				
December 31, 2019	13,343	68,149	140,787	222,279
Charges for the period	70	548	428	1,046
March 31, 2020	13,413	68,697	141,215	223,325
Net book value				
March 31, 2020	436	10,411	5,285	16,132
Net book value				
December 31, 2019	506	10,959	5,713	17,178

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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(expressed in Canadian dollars unless otherwise noted)

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### 9. Issued capital

On July 5, 2018, the Company completed the consolidation of its issued and outstanding shares on the basis of one post-consolidation shares for every 10 pre-consolidation shares (the "Consolidation"). The Company's shares began trading on a post-consolidation basis on the Exchange on July 6, 2018. All share and per share information in these consolidated financial statements give effect to the Consolidation on a retroactive basis, unless otherwise indicated.

(i) Authorized

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

SSD Capital owned 110,000 common shares of the Company, which shares have been returned to treasury for cancellation.

(ii) Non-brokered private placements

In January of 2019, the Company completed a 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. As at December 31, 2018, the Company had received \$16,755 relating to this financing which has been presented as a liability on the consolidated statements of financial position.

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. Flow-through premium income of \$2,830 was recognized for the period ended March 31, 2020 relating to this transaction.

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. The common shares issued pursuant to the private placement are subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities laws.

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## Pelangio Exploration Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(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	125,000	0.32	25,904	1,904,000	0.63	120,610	146,514
Expired	(119,500)	(0.50)	(66,000)	-	-	-	(66,000)
March 31, 2019	<b>1,131,500</b>	<b>0.29</b>	<b>179,931</b>	<b>9,136,640</b>	<b>0.40</b>	<b>1,193,277</b>	<b>1,373,208</b>
Granted/Expensed	15,000	0.16	41,489	116,282	0.20	10,260	51,749
Expired	(152,500)	(0.50)	(23,609)	-	-	-	(23,609)
March 31, 2020	<b>994,000</b>	<b>0.38</b>	<b>197,811</b>	<b>9,252,922</b>	<b>0.40</b>	<b>1,203,537</b>	<b>1,401,348</b>

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## Pelangio Exploration Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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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 2,700,000 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 March 31, 2020:

Date Granted	Options Granted	Options Exercisable	Exercise Price \$	Expiry Date
January 19, 2016	307,500	307,500	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	262,500	0.18	November 1, 2023
February 27, 2019	125,000	93,750	0.32	February 27, 2024
July 11, 2019	15,000	7,500	0.16	July 11, 2024
	<b>994,000</b>	<b>867,750</b>	<b>0.38</b>	

The weighted average exercise price of options exercisable at March 31, 2020 was \$0.361 (December 31, 2019 - \$0.40).

The weighted average remaining contractual life of options outstanding at March 31, 2020 is 2.51 years (December 31, 2019 - 2.42 years).

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
March 27, 2015	0	0.50	137	5 years	15,000
May 8, 2017	0	0.50	136	5 years	42,000
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

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

The weighted average grant date fair value of options granted during the three months ended March 31, 2020 was \$Nil (March 31, 2019 - \$0.05).

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## Pelangio Exploration Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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#### 10. Equity reserves (continued)

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 \$
August 30, 2017	0	1.51	151	3	277,678
December 15, 2017	0	1.53	148	3	124,564
December 18, 2017	0	1.55	149	3	113,247
January 18, 2018	0	1.75	148	3	328,297
December 18, 2018	0	1.90	173	3	194,439
December 18, 2018	0	1.90	173	3	34,441
January 18, 2019	0	1.83	171	3	120,611
August 13, 2019	0	1.17	168	1	7,859
December 20, 2019	0	1.61	161	1	2,400

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

Warrants #	Exercise Price \$	Estimated Grant Date Fair Value \$	Expiry Date
1,158,000	0.70	271,733	July 31, 2021
12,240	0.50	5,946	July 31, 2021
2,400,000	0.70	490,046	December 15, 2020
192,000	0.50	76,062	December 15, 2020
3,200,000	0.20	194,439	December 18, 2020
270,400	0.20	34,441	December 12, 2020
1,800,000	0.20	107,436	January 18, 2021
104,000	0.20	13,174	January 18, 2021
88,142	0.20	7,859	August 13, 2020
28,140	0.20	2,401	December 20, 2020
<b>9,252,922</b>	<b>0.40</b>	<b>1,203,537</b>	



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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(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 period:

For the three months ended March 31	2020	2019
	\$	\$
With a Ghanaian corporation controlled by an officer of the Company:		
Exploration and evaluation expenses	8,142	16,811
With Canadian corporations controlled by an officer of the Company:		
Exploration and evaluation (V.P. Corporate Development)	13,400	16,206
Exploration and evaluation (Senior VP Exploration)	7,314	13,943
With a partnership in which an officer of the Company is a partner:		
Accounting services	35,025	36,781

Of the accounting service fees, \$9,462 (three months ended March 31, 2019 - \$9,729) is included in professional fees and \$25,563 (three months ended March 31, 2019 - \$27,052) is included in consulting services on the statement of operations.

Accounts payable and accrued liabilities as at March 31, 2020 include amounts owing to directors and officers in the amount of \$444,175 (December 31, 2019 - \$358,422). 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.

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:

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

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

### **11. Related party information (continued)**

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

For the three months ended March 31	<b>2020</b>	<b>2019</b>
	\$	\$
Short-term benefits	12,557	12,542
Share-based payments	9,482	21,388

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# Pelangio Exploration Inc.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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March 31, 2020

(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 March 31, 2020 and March 31, 2019, no amounts have been accrued related to such matters.

As at March 31, 2020, the Company has the following flow-through funds to be spent by December 31, 2020:

Closing date of financing	Remaining funds (\$)
December 2019	69,698
Total	69,698

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 Unaudited Condensed Interim Consolidated Financial Statements**

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March 31, 2020

(expressed in Canadian dollars unless otherwise noted)

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### **13. 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 2018 or 2019.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended March 31, 2020 and March 31, 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 March 31, 2020, the Company is not compliant with Policy 2.5. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

### **14. Subsequent events**

#### **Grant of Stock Options**

On May 5, 2020, the Company granted 500,000 stock options to directors and consultants of the Company, which options are exercisable into common shares of the Company at a price of \$0.14 per share. Subject to the rules of the TSX Venture Exchange and the Company's Stock Option Plan the options have a term of five years and will expire on May 4, 2025.

#### **Sale of Private Company Shares in Settlement of Accounts Payable**

On May 7, 2020, the Company agreed to transfer 35,000 shares of Quantus in settlement of accounts payable of \$25,000 USD.

#### **Canada Emergency Business Account**

On May 7, 2020, the Company was approved for a \$40,000 non-interest bearing bank loan which matures December 31, 2022 under the provisions of the Canada Emergency Business Account.

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# **Pelangio Exploration Inc.**

## **Notes to the Unaudited Condensed Interim Consolidated Financial Statements**

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(expressed in Canadian dollars unless otherwise noted)

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### **15. Subsequent events (continued)**

#### **Non-brokered Private Placement Financing**

On May 19, 2020, the Company closed the first tranche of a non-brokered private placement announced May 7, 2020 and May 11, 2020. The Company raised \$600,000 from the issuance of 5,000,000 units at a price of \$0.12 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.18 for a period of two years from May 19, 2020. In addition the Company closed the first tranche of the non-brokered flow-through financing announced May 7, 2020 and May 11, 2020. The Company raised a total of \$134,000 from the issuance of 957,142 common shares issued on a "flow-through" basis at a price of \$0.14 per share. In connection with the closing, The Company paid finder's fees consisting of \$28,560 in cash and 238,000 non-transferable warrants. Each warrant entitles the holder to purchase one common share at a price of \$0.18 for a period of one year from May 19, 2020.