

# **PANCONTINENTAL RESOURCES CORPORATION**

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## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended March 31, 2020**

**(unaudited)**

**EXPRESSED IN CANADIAN DOLLARS**

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

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The accompanying unaudited condensed interim consolidated financial statements of Pancontinental Resources Corporation (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, RSM Canada LLP, has not performed a review of these unaudited condensed interim consolidated financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

## PANCONTINENTAL RESOURCES CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, expressed in Canadian dollars)

As at	March 31 2020	December 31 2019
<b>ASSETS</b>		
Current		
Cash	\$ 2,969,826	\$ 224,808
Royalty revenue receivable (note 12)	-	5,971
Sales tax receivable	17,066	46,405
Prepaid expenses	52,596	21,467
	<b>3,039,488</b>	298,651
Investment in Tortuga Resources Inc.	1	1
	<b>\$ 3,039,489</b>	\$ 298,652
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 257,532	\$ 200,146
Loans from related parties (note 13)	123,220	122,500
	<b>380,752</b>	322,646
<b>EQUITY (DEFICIT)</b>		
Share capital (note 7)	21,576,564	20,088,201
Contributed surplus	4,779,590	4,670,433
Warrants (note 8)	2,189,786	702,437
Deficit	(25,887,203)	(25,485,065)
	<b>2,658,737</b>	(23,994)
	<b>\$ 3,039,489</b>	\$ 298,652

Nature of operations and going concern (note 1)

Subsequent events (note 10)

## PANCONTINENTAL RESOURCES CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, expressed in Canadian dollars)

Three months ended March 31,	2020	2019
<b>Other Income</b>		
Flow-through share premium (note 11)	\$ -	\$ 460,005
<b>Expenses</b>		
Corporate and administrative (notes 9, 13)	\$ 172,984	\$ 165,739
Exploration and evaluation (notes 10, 13)	108,727	627,937
Share-based payments (notes 7, 13)	109,157	166,357
Foreign exchange loss	11,270	223
	<b>402,138</b>	<b>960,256</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (402,138)</b>	<b>\$ (500,251)</b>
<b>Basic and diluted loss per share (note 14)</b>	<b>\$ (0.002)</b>	<b>\$ (0.003)</b>
<b>Weighted average number of common shares outstanding:</b>		
Basic and diluted	<b>183,947,290</b>	<b>164,229,290</b>

See accompanying notes.

## PANCONTINENTAL RESOURCES CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, expressed in Canadian dollars)

	Share capital	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2018	\$ 19,790,126	\$ 4,212,477	\$ 751,154	\$ (23,720,681)	\$ 1,033,076
Shares issued for mineral properties (note 7)	4,000	-	-	-	4,000
Share-based payments (note 7)	-	166,357	-	-	166,357
Net loss for the period	-	-	-	(500,251)	(500,251)
Balance, March 31, 2019	19,794,126	4,378,834	751,154	(24,220,932)	703,182
Units issued by private placements (notes 7,8)	355,753	-	287,647	-	643,400
Finder warrants (notes 7,8)	-	-	17,829	-	17,829
Shares issued for mineral properties (note 7)	15,250	-	-	-	15,250
Share issuance costs	(76,928)	-	-	-	(76,928)
Warrants expired	-	354,193	(354,193)	-	-
Share-based payments (note 7)	-	(62,594)	-	-	(62,594)
Net loss for the period	-	-	-	(1,264,133)	(1,264,133)
Balance, December 31, 2019	\$ 20,088,201	\$ 4,670,433	\$ 702,437	\$ (25,485,065)	\$ (23,994)
Units issued by private placements (notes 7,8)	1,512,651	-	1,487,349	-	3,000,000
Share issuance costs	(24,288)	-	-	-	(24,288)
Share-based payments (note 7)	-	109,157	-	-	109,157
Net loss for the period	-	-	-	(402,138)	(402,138)
<b>Balance, March 31, 2020</b>	<b>\$ 21,576,564</b>	<b>\$ 4,779,590</b>	<b>\$ 2,189,786</b>	<b>\$ (25,887,203)</b>	<b>\$ 2,658,737</b>

See accompanying notes.

## PANCONTINENTAL RESOURCES CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, expressed in Canadian dollars)

Three months ended March 31,	2020	2019
<b>Operating activities</b>		
Loss for the period	\$ (402,138)	\$ (500,251)
Adjustments to reconcile loss to net cash used:		
Share-based payments	109,157	166,357
Shares issued for mineral properties	-	4,000
Flow-through share premium	-	(460,005)
Unrealized foreign exchange	21,894	(3,680)
	<b>(271,087)</b>	<b>(793,579)</b>
Net changes in non-cash working capital items		
Royalty revenue receivable	6,561	8,086
Sales tax receivable	29,339	(60,746)
Prepaid expenses	(23,808)	39,123
Accounts payable and accrued liabilities	25,854	(35,498)
	<b>(233,141)</b>	<b>(842,614)</b>
<b>Financing activities</b>		
Related party loan repayments (note 13)	-	(6,750)
Units issued by private placements	3,000,000	-
Share issuance costs	(24,288)	-
	<b>2,975,712</b>	<b>(6,750)</b>
<b>Net change in cash</b>	<b>2,742,571</b>	<b>(849,364)</b>
Cash, beginning of period	224,808	1,725,980
Effect of exchange rate changes on cash	2,447	1,852
<b>Cash, end of period</b>	<b>\$ 2,969,826</b>	<b>\$ 878,468</b>

See accompanying notes.

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(unaudited, expressed in Canadian dollars)*

**For the three months ended March 31, 2020**

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Pancontinental Resources Corporation (the "Company"), is a publicly-listed exploration company involved in the business of acquiring and exploring mineral properties. The address of the Company's registered office is 217 Queen Street West, Suite 401, Toronto, Ontario, M5V 0R2.

#### Going Concern

The business of exploration, development and mining of minerals involves a high degree of risk and there can be no assurances that future exploration activities will result in the discovery of economically recoverable mineral deposits. The success and continuation of the Company as a going concern is dependent upon the Company's ability to arrange financing, which in part, depends on prevailing market conditions, acquiring or discovering economically viable mineral properties, exploration success, and securing title and beneficial interest in its properties.

Further funds will be required for the Company to continue as a going concern, fulfil its obligations and fund its activities. The Company does not produce revenues from its exploration activities or have a regular source of cash flow. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms.

As at March 31, 2020, the Company had working capital of \$2,658,736 (December 31, 2019 - deficit of \$23,995), incurred losses for the current three month period of \$402,138 (2019 - \$500,251), and, had an accumulated deficit of \$25,887,203 (December 31, 2019 - \$25,485,065).

These consolidated financial statements have been prepared using accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, due to uncertainties surrounding a number of factors, such as, but not limited to, the ability to raise additional funds, ability to acquire mineral properties, exploration results, prices of underlying commodities, investor sentiment and financial market conditions, it is not possible to predict if this assumption will prove to be accurate. These factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include the necessary adjustments to reflect the recoverability and classification of recorded assets and liabilities and related expenses that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

#### COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Its impact on global economies has been far-reaching and business around the world are being forced to cease or limit operations for long or indefinite periods of time. 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. Global stock markets have also experienced great volatility and significant declines. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on our financial position and results, exploration activities, workers, partners, consultants, suppliers and on global financial markets. Almost all of Pancontinental's personnel work from home and the Company continues to manage its affairs via virtual business platforms.

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(unaudited, expressed in Canadian dollars)*

**For the three months ended March 31, 2020**

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### 2. BASIS OF PREPARATION

#### Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, of the International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements for the three month period ended March 31, 2020 were approved and authorized for issue by the Company’s board of directors on May 22, 2020.

#### Basis of Consolidation and Presentation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation (“Palmetto”), a United States company; and, Maya Gold Corporation S.A. de C.V., an inactive Honduras company. All significant inter-company transactions and balances have been eliminated upon consolidation.

These consolidated financial statements are prepared on the historical cost basis, except for financial instruments classified as fair value through profit and loss. These consolidated financial statements are presented in Canadian dollars (“CAD”), which is the Company’s and Palmetto’s functional currency.

These interim consolidated financial statements do not include all of the disclosure required in annual financial statements and should be read in conjunction with the Company’s audited 2019 annual consolidated financial statements. These consolidated financial statements are not necessarily indicative of the results that may be anticipated for the entire year.

### 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the Company’s management to make certain estimates and judgements that they consider reasonable and realistic. These estimates and judgements are based on historical experience, future expectations, economic conditions and other factors. Despite regular reviews, changes in circumstances and assumptions may result in changes in these estimates and judgements, which could materially impact the reported amount of the Company’s assets, liabilities, equity or earnings. By their nature, estimates and judgements are subject to measurement uncertainty and actual results could vary from estimates.

Significant estimates relate to:

- measurement of share-based payments and warrant valuation;
- measurement of shares issued to acquire mineral properties;
- measurement of flow-through share premiums;
- impairment of investments;
- recognition of deferred tax assets and liabilities; and,
- establishment of provisions.

Significant judgements relate to:

- ability to continue as a going concern;
- functional currency of the Company and its subsidiary; and,
- choice of accounting policy for exploration and evaluation.

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended March 31, 2020

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### 4. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies, as described in Note 4, Significant Accounting Policies, of the Company's audited annual consolidated financial statements for the year ended December 31, 2019, have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise noted.

### 5. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; and, to have sufficient capital to fund the exploration and development of its mineral properties and the acquisition of other mineral properties for the benefit of its shareholders.

The Company considers its capital structure to consist of shareholder equity. In order to maintain its capital structure the Company is dependent on equity funding and loans from related parties. Funding through equity instruments is comprised of common shares, warrants and incentive stock options. The Board of Directors does not establish quantitative targets on its capital criteria for management, however, it relies on management to review its capital management methods and requirements on an ongoing basis and make adjustments, accordingly, to sustain future development of the business.

There were no changes in the Company's management of its capital during the current three month period. The Company is not subject to any externally imposed capital requirements.

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 2020	December 31 2019
Suppliers	\$ 122,230	\$ 118,109
Related parties	135,302	82,037
	<b>\$ 257,532</b>	<b>\$ 200,146</b>

Related party payables and accrued liabilities represent amounts for unpaid fees and/or expenses that are payable to directors/officers or entities controlled by or associated with directors/officers.

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended March 31, 2020

### 7. SHARE CAPITAL

#### Authorized

Unlimited common shares

Unlimited preferred shares

#### Issued

	Number	Amount
Balance, December 31, 2018	164,179,290	\$ 19,790,126
Shares issued for mineral properties (i)	650,000	19,250
Shares issued by private placement (ii)	12,868,000	643,400
Value attributed to warrants (ii)	-	(287,647)
Share issuance costs - finder warrants (ii)	-	(17,829)
Share issuance costs (ii)	-	(59,099)
Balance, December 31, 2019	177,697,290	\$ 20,088,201
Shares issued by private placement (iii)	37,500,000	3,000,000
Value attributed to warrants (iii)	-	(1,487,349)
Share issuance costs (iii)	-	(24,288)
<b>Balance, March 31, 2020</b>	<b>215,197,290</b>	<b>\$ 21,576,564</b>

- (i) On February 15, 2019, the Company issued 100,000 common shares at \$0.04 per share in accordance with the option agreement for the Strachan Project (Note 10).

On April 1, 2019, the Company issued 300,000 common shares at \$0.03 per share in accordance with the option agreement for the Montcalm and Nova Projects (Note 10).

On April 23, 2019, the Company issued 250,000 common shares at \$0.025 per share in accordance with the option agreement for the St. Laurent Project (Note 10).

- (ii) On September 16, 2019, the Company completed a private placement by issuing 12,868,000 units at \$0.05 per unit for gross proceeds of \$643,400. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.07 for a period of thirty-six (36) months, expiring on September 16, 2022. The fair value of the warrants was estimated at \$287,647 using the relative fair value method. In addition, the Company issued 630,000 finder warrants having an exercise price of \$0.07 with a thirty-six (36) month term. The value of the finder warrants was estimated at \$17,829 using the Black-Scholes option pricing model. Cash commissions paid were \$31,500.
- (iii) On March 17, 2020, the Company completed a private placement by issuing 37,500,000 units at \$0.08 per unit for gross proceeds of \$3,000,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.12 for a period of sixty (60) months, expiring on March 17, 2025. The fair value of the warrants was estimated at \$1,487,349 using the relative fair value method. In the event the daily volume weighted average trading price is at least \$0.25 per common share for a minimum of 20 consecutive trading days, as traded on the TSX Venture Exchange, the Company has the right to accelerate the expiry date of the warrants, after the expiry of the statutory trading restriction on July 17, 2020, to a date that is twenty days after notice of the accelerated expiry date.

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended March 31, 2020

### SHARE CAPITAL (continued)

#### Stock Options

Under the terms of the Company's stock option plan ("Plan"), the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period that is not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed by the Board of Directors at the time of grant.

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

	Number	Weighted average exercise price
Balance, December 31, 2018	11,400,000	\$0.09
Granted (i)	5,850,000	0.10
Expired	(1,900,000)	0.05
Balance, December 31, 2019	15,350,000	\$0.10
Granted (ii)	2,400,000	0.05
<b>Balance, March 31, 2020</b>	<b>17,750,000</b>	<b>\$0.09</b>

- (i) On January 18, 2019, the Company granted 1,050,000 stock options to directors, officers and consultants which vested immediately. In addition, the Company granted 50,000 stock options to an investor relations consultant which vest in instalments of 12,500 options every three months. All of these options were issued with an exercise price of \$0.08 and have a five year term, expiring on January 18, 2024.

On July 2, 2019, the Company granted 250,000 stock options to an investor relations consultant. These options: vest in instalments of 62,500 options every three months; were issued with an exercise price of \$0.08; and, have a five year term, expiring on July 2, 2024.

On August 30, 2019, the Company granted 4,500,000 stock options to directors, officers and consultants. All of these options were issued with an exercise price of \$0.10 and have a five year term, expiring on August 30, 2024. Company directors/officers were granted 425,000 options which vested immediately. Consultants retained for corporate development were granted 4,000,000 options which vest as follows: 1,000,000 options immediately; and, in instalments of 1,000,000 options upon the Company's market capitalization reaching \$15 million, \$25 million and \$35-million, respectively. In addition, the Company granted 75,000 stock options to an investor relations consultant which vest in instalments of 18,750 options every three months.

- (ii) On January 22, 2020, the Company granted 2,400,000 stock options to a director/officer and consultants. These options vested immediately and were issued with an exercise price of \$0.05 and have a five year term, expiring on January 22, 2025.

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended March 31, 2020

### SHARE CAPITAL (continued)

Fair value of the options issued were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2020	2019
Dividend yield	Nil	Nil
Expected volatility (based on historical prices)	237%	238%
Risk-free rate of return	1.46%	1.49%
Expected life	5 Years	5 Years
Share price	\$0.045	\$0.04

Share-based payment expense recognized for the options vested in 2020 was \$109,157 and \$103,763 for the options vested in 2019. The offsetting credit was charged to contributed surplus.

The consultants' options were measured using the Black-Scholes option pricing model due to the absence of a reliable measurement of the services granted.

The following summarizes information on the outstanding stock options:

Expiry Date	Number	Exercise price	Exercisable	Average remaining contractual life (years)
September 21, 2021	4,300,000	\$0.12	4,300,000	1.47
November 1, 2021	800,000	0.12	800,000	1.59
January 6, 2022	100,000	0.12	100,000	1.77
March 16, 2022	400,000	0.12	400,000	1.96
January 10, 2023	1,200,000	0.05	1,200,000	2.78
May 1, 2023	2,550,000	0.07	2,550,000	3.08
July 3, 2023	100,000	0.08	100,000	3.25
October 1, 2023	50,000	0.06	50,000	3.50
January 18, 2024	1,100,000	0.08	1,100,000	3.80
July 2, 2024	250,000	0.08	125,000	4.25
August 30, 2024	4,500,000	0.10	1,462,500	4.42
January 22, 2025	2,400,000	0.05	2,400,000	4.81
	17,750,000	\$0.09	14,587,500	3.21

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended March 31, 2020

### 8. WARRANTS

Warrant transactions and number of warrants outstanding are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2018	25,128,218	\$0.10
Issued	13,498,000	0.07
Expired	(13,835,000)	0.08
Balance, December 31, 2019	24,791,218	\$0.09
Issued	37,500,000	0.12
<b>Balance, March 31, 2020</b>	<b>62,291,218</b>	<b>\$0.11</b>

Relative fair value of the warrants were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2020	2019
Dividend yield	Nil	Nil
Expected volatility (based on historical prices)	232%	170%
Risk-free rate of return	0.80%	1.56%
Expected life	5 Years	3 Years
Share price	\$0.035	\$0.035

The following summarizes information on the outstanding warrants:

Expiry Date	Number	Exercise price	Weighted average remaining life (years)	Relative fair value
June 19, 2020	10,325,718	\$0.12	0.22	\$ 362,118
June 28, 2020	967,500	0.12	0.24	34,843
September 16, 2022	13,498,000	0.07	2.46	305,476
March 17, 2025	37,500,000	0.12	4.96	1,487,349
	<b>62,291,218</b>	<b>\$0.11</b>	<b>3.56</b>	<b>\$ 2,189,786</b>

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended March 31, 2020

### 9. CORPORATE AND ADMINISTRATIVE

	Three months ended	
	March 31	
	2020	2019
Consulting	\$ 23,053	\$ 4,509
Filing and transfer agent fees	4,704	4,653
Insurance	4,705	4,109
Management fees (note 13)	62,850	60,900
Office and general	5,003	2,621
Professional fees	8,391	12,367
Rent	-	2,497
Shareholder relations and promotion	60,104	68,292
Travel	4,174	5,791
	<b>\$ 172,984</b>	<b>\$ 165,739</b>

### 10. EXPLORATION AND EVALUATION

	Three months ended	
	March 31	
	2020	2019
Acquisition costs	\$ -	\$ 64,000
Property costs	27,110	4,996
Assaying	-	18,523
Community relations	-	1,875
Consulting/Contracting	69,129	83,726
Drilling	-	389,250
Equipment and supplies	60	15,962
Geophysics/Surveys	-	35,572
Professional fees	5,831	-
Site costs	2,454	11,240
Travel/Transportation	4,143	2,793
	<b>\$ 108,727</b>	<b>\$ 627,937</b>

#### Brewer Gold Project – South Carolina, United States

The Brewer Gold Project is located in Chesterfield County, South Carolina, United States and encompasses approximately 1,000 acres. In January, 2020, the Company in co-operation with Environmental Risk Transfer LLC (ERT), an industry leader providing complex environmental risk transfer solutions to cost-effectively eliminate environmental liabilities, was awarded the right by the Brewer Gold Receiver LLC (the "Receiver"), the South Carolina Department of Health and Environmental Control ("SC DHEC") and the U.S. Environmental Protection Agency ("US EPA"), to explore the former Brewer Gold Mine property ("Brewer"), a Superfund site.

On March 1, 2020, the Company and the Receiver executed an exclusive mining lease with the option for the Company to purchase Brewer (the "Option Agreement"). Provided the Company spends US\$2 million to conduct exploration and

## PANCONTINENTAL RESOURCES CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

For the three months ended March 31, 2020

#### EXPLORATION AND EVALUATION (continued)

environmental due diligence during the Option Agreement's initial twenty-four month term, which begins on April 1, 2020, the Company can then extend the term of the option for an additional eighteen months. The Company can exercise its option to purchase Brewer at any time during the option term. During the option term the Company will engage ERT to implement the environmental due diligence required to determine the Superfund liability at Brewer at a cost of up to US\$250,000.

The purchase price for Brewer is comprised of the following two components:

- (i) the cost of environmental remediation and financial assurance for assuming owning all past environmental liability at Brewer, which will be an amount based on ERT's environmental due diligence during the option term; and,
- (ii) half of the total past costs incurred by the SC DHEC and the US EPA to clean and manage Brewer since 2000, which costs are to be paid from future mining operations in ten equal annual installments subject to a profit formula to be determined by the parties

	Three months ended	
	March 31	March 31
	2020	2019
Consulting/Contracting	\$ 68,129	\$ -
Equipment and supplies	60	-
Professional fees	5,831	-
Site costs	276	-
Travel/Transportation	4,143	-
	\$ 78,439	\$ -

#### Jefferson Gold Project – South Carolina, United States

The Jefferson Gold Project is located in Chesterfield County, South Carolina, United States and nearly surrounds the former Brewer Gold Mine. As at March 31, 2020, Jefferson consisted of fourteen exploration-stage gold prospective property leases owned by private landowners, encompassing approximately 1,758 acres. Subsequent to March 31, 2020, the Company relinquished one lease, which reduced Jefferson to approximately 1,535 acres. Total annual payments to maintain the remaining thirteen property leases for fiscal 2020 is US \$157,475.

The Company has the right to acquire a 100% interest in ten of these property leases and also holds a right of first refusal to acquire a 100% interest in two leases. The leases range in expiration from 2021 to 2031. The Company reserves the right to relinquish twelve of the leases at any time. Six of the leases include a production royalty ranging from 1.5% to 3.5%, which is payable to the landowner that owns the property from which minerals are produced.

	Three months ended	
	March 31	March 31
	2020	2019
Jefferson		
Property costs	\$ 24,210	\$ (4,348)
Site costs	1,878	1,542
	\$ 26,088	\$ (2,806)

#### EXPLORATION AND EVALUATION (continued)

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

### For the three months ended March 31, 2020

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#### St. Laurent Project – Ontario, Canada

St. Laurent is an exploration-stage nickel-copper-cobalt-gold-platinum-palladium project and is located in St. Laurent township, approximately 160 kilometres northeast of Timmins, Ontario. The St. Laurent Project encompasses an area of approximately 4,396 hectares.

#### Option Agreement

On March 25, 2019, the Company entered into an option agreement with 2681891 Ontario Inc. (the “Optionor”), pursuant to which the Company obtained the right (the “Option”) to acquire up to a 100% interest in the St. Laurent property. To exercise the Option, the Company is required to complete the following:

- (i) Pay the Optionor an aggregate of \$145,000 as follows:
  - \$15,000 on or before April 17, 2019 (paid);
  - \$20,000 on or before April 17, 2020 (paid\*);
  - \$50,000 on or before April 17, 2021;
  - \$60,000 on or before April 17, 2022.
  
- (ii) Issue to the Optionor an aggregate of 1,850,000 common shares of the Company as follows:
  - 250,000 common shares within 5 days of April 17, 2019 (completed);
  - 350,000 common shares on or before April 17, 2020 (completed \*);
  - 500,000 common shares on or before April 17, 2021;
  - 750,000 common shares on or before April 17, 2022.

\* In April 2020, a Company director provided the cash and shares for the Company to satisfy the required payments due by April 17, 2020. The Company is not liable for the repayment of the cash or shares to the Company director. The Company director has the right to recover up to an aggregate of \$50,000 from any party or parties that purchase or joint venture any or all of the Company’s four Ontario mineral projects provided the sale or joint venture of such projects is completed by April 17, 2021.

	Three months ended	
	March 31	
	2020	2019
Acquisition costs	\$ -	\$ 15,000
Property costs	2,400	-
Consulting/Contracting	1,000	-
Geophysics/Surveys	-	540
Site costs	300	-
	<b>\$ 3,700</b>	<b>\$ 15,540</b>

#### Montcalm and Nova Projects – Ontario, Canada

Montcalm and Nova are exploration-stage nickel-copper-cobalt projects located within the Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario, Canada. Montcalm encompasses an area of approximately 3,880 hectares and Nova encompasses an area of approximately 2,080 hectares. The Montcalm and Nova properties are subject to an option agreement as described below.

### EXPLORATION AND EVALUATION (continued)

## PANCONTINENTAL RESOURCES CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

#### For the three months ended March 31, 2020

##### Option Agreement

On January 5, 2018, the Company entered into an option agreement (the "Option Agreement"), amended on February 20, 2018, with 2522962 Ontario Inc., which was subsequently acquired by Pelangio Exploration Inc. (the "Optionor"). Pursuant to the Option Agreement the Company obtained the right (the "Option") to acquire a 100% interest in the Montcalm and Nova properties. In order to exercise the Option, the Company shall:

- (i) Pay the Optionor an aggregate of \$140,000 as follows:
  - \$35,000 on or before June 28, 2018 (paid);
  - \$35,000 on or before February 28, 2019 (paid);
  - \$35,000 on or before February 28, 2020 (deferred to June 28, 2020);
  - \$35,000 on or before February 28, 2021.
  
- (ii) Issue to the Optionor an aggregate of 1,200,000 common shares of the Company as follows:
  - 300,000 common shares on or before February 28, 2018 (completed);
  - 300,000 common shares on or before February 28, 2019 (completed on April 1, 2019);
  - 300,000 common shares on or before February 28, 2020 (deferred to June 28, 2020);
  - 300,000 common shares on or before February 28, 2021.

A net smelter return royalty of 2.5% (the "NSR") is payable to the Optionor from all minerals sold from the Montcalm and Nova properties. The Company reserves the right to purchase 1% of the NSR (such that the Optionor's NSR is reduced to 1.5%) for \$1,000,000. The Company is required to keep the Montcalm and Nova properties in good standing during the term of the Option Agreement.

<b>Montcalm</b>	<b>Three months ended</b>	
	<b>2020</b>	<b>March 31</b>
	<b>2019</b>	
Acquisition costs (note 13)	\$ -	\$ 28,000
Property costs	-	9,344
Assaying	-	18,523
Consulting/Contracting	-	83,376
Drilling	-	389,250
Equipment and supplies	-	15,962
Geophysics/Surveys	-	34,600
Site costs	-	9,698
Travel/Transportation	-	2,793
	-	591,546
<b>Nova</b>		
Acquisition costs (note 13)	-	7,000
Consulting/Contracting	-	350
Geophysics/Surveys	-	432
	-	7,782
<b>Total</b>	<b>\$ -</b>	<b>\$ 599,328</b>

#### EXPLORATION AND EVALUATION (continued)

## PANCONTINENTAL RESOURCES CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

#### For the three months ended March 31, 2020

##### Gambler Project – Ontario, Canada

Gambler is an exploration-stage nickel-copper-cobalt project located within the Porcupine Mining Division, approximately 65 kilometres northwest of Timmins, Ontario, Canada. Gambler is adjacent to the Montcalm Project and encompasses an area of approximately 6,980 hectares. The Gambler property was staked by the Company in 2018.

	Three months ended March 31	
	2020	2019
Property costs	\$ 500	\$ -

##### First Nations – Montcalm, Nova and Gambler Projects

On October 1, 2018, the Company entered into a Memorandum of Understanding (“MOU”) with the Flying Post First Nation (“FPFN”) that provides a framework for co-operation between the Company and FPFN with respect to aboriginal and treaty rights at the Company’s Montcalm, Nova and Gambler Projects. The MOU establishes the prioritization of business, employment and training opportunities for FPFN members. The Company is to compensate FPFN for the impact of all on-the-ground exploration work by paying FPFN 2% of such costs, beginning from the date of the MOU.

##### Strachan Project – Ontario, Canada (Terminated)

Strachan was an exploration-stage nickel-copper-cobalt project within the Montcalm greenstone belt and is located approximately 65 kilometres northwest of Timmins, Ontario. Strachan encompasses an area of approximately 2,280 hectares. On January 17, 2019, the Company entered into a binding letter of intent (“LOI”) with Pelangio Exploration Inc. pursuant to which the Company obtained the right to acquire up to a 75% interest in the Strachan property. In February 2020, the Company terminated the LOI and did not earn an interest in the Strachan Project.

	Three months ended March 31	
Strachan	2020	2019
Acquisition costs (note 13)	\$ -	\$ 14,000

##### McBride Project – Ontario, Canada (Terminated)

The McBride Project was an exploration-stage nickel-copper-cobalt project located in Limerick Township, approximately 25 kilometres south of Bancroft, Ontario. The McBride Project encompassed a total of 880 hectares and is comprised of the North Zone deposit, the South Zone deposit and the South Extension prospect. On April 25, 2018, the Company entered into an option agreement (the “Option Agreement”) with Hastings Highlands Resources Limited, whereby the Company obtained the right to acquire up to a 76% interest in the McBride Project. In March 2019, the Company terminated the Option Agreement and did not earn an interest in the McBride Project.

	Three months ended March 31	
	2020	2019
Community relations	\$ -	\$ 1,875

## 11. FLOW-THROUGH SHARE PREMIUM

## PANCONTINENTAL RESOURCES CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

#### For the three months ended March 31, 2020

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During the year ended December 31, 2019, the Company completed the expenditure of \$1,935,990 of flow-through funds and derecognized a \$460,005 flow-through premium upon the Company filing its renunciation forms with the Canadian government. The flow-through funds and premium were the result of the Company completing:

- (i) On April 4, 2018, a flow-through private placement consisting of 16,266,500 common shares at a price of \$0.06 per share for gross proceeds of \$975,990;
- (ii) On December 19, 2018, the first tranche of a flow-through private placement, which consisted of 10,125,000 units at \$0.08 per unit for gross proceeds of \$810,000; and
- (iii) On December 28, 2018, the second tranche of the flow-through private placement, which consisted of 1,875,000 units at \$0.08 per unit for gross proceeds of \$150,000.

#### 12. GROSS OVERRIDING ROYALTY

On February 8, 2007, the Company formed a joint venture (the "Joint Venture") with Crossland Strategic Metals Limited ("Crossland") and subsequently earned a 50% interest in a number of Australian properties prospective for rare earth elements ("REE") and uranium. On November 26, 2015 (the "Effective Date") the Company completed the sale of its entire interest in the Joint Venture to Essential Mining Resources Pty Ltd. ("EMR") and retained a gross overriding royalty ("GOR") of one percent (1%) on sales of production from 100% of the properties ("JV Properties") held by the Joint Venture at the Effective Date. In 2017 a merger between Crossland and EMR ("Crossland") was completed.

On each anniversary of the Effective Date, Crossland is obligated to pay to the Company an advance royalty of AUD \$6,561. The advance royalty payments: are non-refundable; may be adjusted for future modifications in the size of the JV Properties; and, are to be deducted from the 1% GOR payable to the Company upon the JV Properties being placed into production.

#### 13. RELATED PARTY TRANSACTIONS AND BALANCES

A summary of the compensation of key management (directors/officers) of the Company is included in the table below. Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company.

	Three months ended	
	2020	March 31 2019
Management fees (i)	\$ 62,850	\$ 60,900
Share-based payments (ii)	66,955	133,130
	<b>\$ 129,805</b>	<b>\$ 194,030</b>

- (i) Management fees were paid or became payable to a Company officer and to a company associated with a Company officer.
- (ii) Share-based payments represents the fair value of stock options granted to Company directors and officers.

#### RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition to the management compensation above, the Company had the following related party transactions:

# PANCONTINENTAL RESOURCES CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, expressed in Canadian dollars)

### For the three months ended March 31, 2020

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Loans from related parties balance of \$123,220 (December 31, 2019 - \$122,500) consist of cash loans provided by Company directors/officers or entities controlled by or associated with directors/officers. These loans are non-interest bearing, unsecured and due on demand.

Pelangio Exploration Inc. ("Pelangio") is party to the Option Agreement for the Montcalm and Nova Projects and the Letter of Intent for the Strachan Project. Pursuant to the Option Agreement and the Letter of Intent, the Company paid cash and/or issued common shares to Pelangio totalling \$nil (2019 - \$49,000) during the current three month period. Pelangio is a related party by virtue of a common director.

#### 14. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purposes of calculating the basic and diluted loss per share the effect of the potentially dilutive options and warrants were not included in the calculation as the result would be anti-dilutive.

#### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Fair Value

The carrying value of cash, the royalty revenue receivable, accounts payable and accrued liabilities and loans from related parties approximates fair value due to the relative short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arms-length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

IFRS 7 establishes a fair value hierarchy that prioritizes the valuation techniques for each financial instrument measured at fair value. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The methods and assumptions used to develop fair value measurements are: Level 1 - includes quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - includes inputs, other than quoted prices included in Level 1, that are observable for an asset or liability, either directly (i.e. as process) or indirectly (i.e. derived from process); and, Level 3 - includes inputs that are not based on observable data.

##### Classification of Financial Instruments

		<b>March 31</b>	December 31
		<b>2020</b>	2019
<hr/>			
Financial assets			
Cash	Amortized cost	\$ 2,969,826	\$ 224,808
Royalty revenue receivable	Amortized cost	-	5,971
Investment in Tortuga Resources Inc.	Fair value through profit and loss	1	1
<hr/>			
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	\$ 257,532	\$ 200,146
Loans from related parties	Amortized cost	123,220	122,500
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#### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

##### Risk Management

## PANCONTINENTAL RESOURCES CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(unaudited, expressed in Canadian dollars)*

#### For the three months ended March 31, 2020

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The Company's financial risk management activities include the preservation of its capital by minimizing risk related to its cash. The Company does not trade financial instruments for speculative purposes. The Company does not have a risk management committee or written risk management policies. The Company's financial instruments are exposed to the risks described below:

##### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party, by failing to discharge their obligations. Financial instruments that potentially expose the Company to this risk consist of cash and the royalty revenue receivable. The Company mitigates the risk to its cash by depositing a majority of its cash with Canadian and United States banks. Allowances for the royalty revenue receivable are recognized as necessary for potential credit losses.

##### **Currency Risk**

The Company operates in Canada and the United States, thus exposing the Company to market risks from fluctuations in foreign exchange rates. The Company has certain corporate and administrative expenditures, exploration and evaluation expenditures and future potential financial commitments (Note 10) denominated in United States dollars. The Company monitors foreign exchange rates and has not entered into any financial arrangements to hedge or protect the Company from unfavourable changes in foreign exchange rates. As at December March, 2020, the Company did not have significant exposure to foreign currency risk.

##### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as described in Note 5. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

Accounts payable and accrued liabilities are generally due within 30 days and loans from related parties are due on demand. As at March 31, 2020, the Company had cash of \$2,969,826 to settle current liabilities of \$380,752. The Company believes it has sufficient capital to fund its planned 2020 activities.