

PAN GLOBAL



BAL

— RESOURCES INC —

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian dollars)

April 30, 2020

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Pan Global Resources Inc. for the three months ended April 30, 2020 and 2019 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.

PAN GLOBAL RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited - Expressed in Canadian dollars)

	April 30, 2020	January 31, 2020
ASSETS		
Current assets		
Cash	\$ 581,963	\$ 1,119,914
Receivables (Note 3)	543,204	450,225
Prepaid expenses	2,658	2,413
Total current assets	1,127,825	1,572,552
Non-current assets		
Exploration and evaluation assets (Note 4)	1,909,183	1,871,547
Reclamation deposits	99,785	106,971
Right-of-use assets (Note 5)	29,989	34,398
Total non-current assets	2,038,957	2,012,916
TOTAL ASSETS	\$ 3,166,782	\$ 3,585,468
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 314,934	\$ 207,269
Lease liabilities (Note 7)	16,530	17,155
Total current liabilities	331,464	224,424
Non-current liabilities		
Lease liabilities (Note 7)	14,808	17,273
Total liabilities	346,272	241,697
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	17,959,143	17,895,123
Reserves (Note 8)	4,549,299	4,549,299
Deficit	(19,371,257)	(18,790,711)
Total shareholder's equity attributable to equity holders of the Company	3,137,185	3,653,711
Non-controlling interest (Note 9)	(316,675)	(309,940)
Total shareholders' equity	2,820,510	3,343,771
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,166,782	\$ 3,585,468

Nature of operations and going concern (Note 1)

These condensed interim consolidated financial statements are authorized for issuance by the Board of Directors on June 24, 2020.

Approved on behalf of the Board of Directors

"Timothy Moody" Director

"Robert Baxter" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PAN GLOBAL RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

	Three months ended April 30,	
	2020	2019
Exploration expenditures (Note 4)	\$ 483,745	\$ 589,758
General and administrative expenses		
Accounting, tax, and audit (Note 10)	15,106	15,000
Depreciation (Note 5)	4,409	4,409
Consulting and management fees (Note 10)	30,000	31,622
Investor relations	71,727	20,610
Office and rent	2,524	2,428
Professional fees (Note 10)	8,190	6,004
Regulatory and transfer agent	7,799	7,503
Share-based compensation (Notes 8, 10)	-	156,338
Travel and related	2,189	29,132
	141,944	273,046
Loss from operations	(625,689)	(862,804)
Accretion expense (Note 7)	(510)	(761)
Foreign exchange gain (loss)	38,918	(266)
LOSS AND COMPREHENSIVE LOSS	\$ (587,281)	\$ (863,831)
Loss and comprehensive loss attributable to:		
Equity holders of the Company	\$ (580,546)	\$ (724,167)
Non-controlling interest (Note 9)	(6,735)	(139,664)
	\$ (587,281)	\$ (863,831)
Loss per common share - basic and diluted	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	122,343,030	94,293,387

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PAN GLOBAL RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian dollars)

	Three months ended April 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (587,281)	\$ (863,831)
Items not affecting cash:		
Depreciation	4,409	4,409
Share-based compensation	-	156,338
Accretion expense	510	761
Unrealized foreign exchange effect	8,414	-
Changes in non-cash working capital items:		
Receivables	(92,979)	(106,558)
Prepaid expenses	(245)	14,779
Accounts payable and accrued liabilities	107,665	244,215
Net cash used in operating activities	(559,507)	(549,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(37,636)	-
Net cash used in investing activities	(37,636)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of share purchase warrants	64,020	-
Lease payments	(4,828)	(4,758)
Net cash provided by (used in) financing activities	59,192	(4,758)
Change in cash during the period	(537,951)	(554,645)
Cash, beginning of period	1,119,914	1,485,441
Cash, end of period	\$ 581,963	\$ 930,796

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PAN GLOBAL RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited - Expressed in Canadian dollars)

	Number of common shares	Share capital	Reserves	Deficit	Non-controlling interest	Total
Balance at January 31, 2019	94,293,387	\$ 16,185,929	\$ 3,236,968	\$ (16,535,071)	\$ 35,698	\$ 2,923,524
Share-based compensation	-	-	156,338	-	-	156,338
Loss for the period	-	-	-	(724,167)	(139,664)	(863,831)
Balance at April 30, 2019	94,293,387	\$ 16,185,929	\$ 3,393,306	\$ (17,259,238)	\$ (103,966)	\$ 2,216,031

	Number of common shares	Share capital	Reserves	Deficit	Non-controlling interest	Total
Balance at January 31, 2020	121,828,903	\$ 17,895,123	\$ 4,549,299	\$ (18,790,711)	\$ (309,940)	\$ 3,343,771
Exercise of share purchase warrants	640,200	64,020	-	-	-	64,020
Loss for the period	-	-	-	(580,546)	(6,735)	(587,281)
Balance at April 30, 2020	122,469,103	\$ 17,959,143	\$ 4,549,299	\$ (19,371,257)	\$ (316,675)	\$ 2,820,510

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PAN GLOBAL RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

Pan Global Resources Inc. (hereafter referred to as the “Company”) was incorporated under the laws of the Province of British Columbia and was established as a legal entity on February 1, 2006. On December 21, 2009, the Company changed its name from Mosam Capital Corp. to Pan Global Resources Inc.

The Company’s principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. The Company is primarily focused on the early stage exploration through to development of resources of copper and other metals in Spain. In addition to exercising its first option to acquire a 70% interest in Minera Aguila S.L.U. (Note 4), the Company has also signed a Letter of Intent (“LOI”) with EVALAM2003 S.L. (“EVALAM”) to acquire the Escacena Investigation Permit (Note 4). The Company is continuing to review a number of other opportunities.

The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol “PGZ”. The Company’s principal office is located at 700 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

As at April 30, 2020, the Company had a working capital of \$796,361, recorded a net loss of \$587,281 for the three months then ended, and had accumulated a total deficit of \$2,400,263. These condensed interim consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and develop profitable operations. These condensed interim consolidated financial statements do not include any adjustments to amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. As at April 30, 2020, the Company has not achieved profitable operations and has accumulated losses since inception. The Company will need to raise additional funds to further its exploration and development programs.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds. Therefore, there is uncertainty that may cast doubt on the Company’s ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

The condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, which have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual consolidated financial statements, except as described below, and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended January 31, 2020.

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

3. RECEIVABLES

The Company's receivables arise from GST and VAT due from the Canadian and Spanish taxation authorities.

4. EXPLORATION AND EVALUATION ASSETS

	April 30, 2020	Additions	January 31, 2020
Aguilas Project, Spain	\$ 1,464,562	\$ -	\$ 1,464,562
Escacena Project, Spain	444,621	37,636	406,985
	\$ 1,909,183	\$ 37,636	\$ 1,871,547

Aguilas Project, Spain

In November 2016, the Company entered into a share option agreement with a related party (Note 10) for an option to acquire up to a 100% interest of a Spanish exploration company, MASL, who has been granted two mineral exploration licenses, and applied for the issuance of an additional seven mineral exploration licenses in the Provinces of Cordoba and Ciudad Real, Kingdom of Spain, collectively referred to as the "Aguilas Project". For the duration of the agreement, MASL shall act as the operator of the exploration program and the related exploration expenditures shall be funded by the Company. The Company has agreed to the aggregate consideration of 4,700,000 common shares of the Company, cash payments of \$450,000, and exploration expenditure commitments as follows:

	Cash payments	Common shares	Exploration expenditures ⁽²⁾
6-month anniversary of final TSX-V approval ⁽¹⁾	\$ 50,000	2,200,000	\$ -
18-month anniversary of final TSX-V approval ⁽¹⁾	150,000	2,500,000	-
36-month anniversary of final TSX-V approval	250,000	-	-
36-month anniversary of agreement closing date ⁽¹⁾	-	-	1,000,000
	\$ 450,000	4,700,000	\$ 1,000,000

⁽¹⁾ Cash paid and common shares issued; expenditure requirement completed

⁽²⁾ No less than \$250,000 have been completed notwithstanding any decision by the Company not to proceed with further exploration.

Furthermore, the Company may pay \$100,000 (or issue 1,000,000 common shares the Company, at the election of the optionor) if the Company acquires additional exploration rights in the area of 10 kilometers surrounding the boundaries of the three exploration licenses. In November 2017, the Company paid \$50,000 to the optionor to remove this term of the agreement.

In April 2018, the Company exercise I wd its first option to acquire a 70% equity interest in MASL. The Company paid \$50,000 and issued 2,200,000 common shares (valued at \$440,000) to the optionor. In addition, net advances of \$341,466 from the Company, representing unspent funds held by MASL, remained in MASL.

In September 2018, the Company paid \$150,000 and issued 2,500,000 common shares of the Company, valued at \$425,000.

The final payment has been temporarily deferred until a new settlement date has been determined.

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)**Escacena Project**

In December 2018, EVALAM was granted the Escacena Investigation Permit located in the Iberian Pyrite Belt in southern Spain, which is the subject of the LOI between EVALAM and the Company, who has an option to acquire 100% of the Escacena Investigation Permit for the following consideration: (a) \$350,000 in cash and (b) \$1,000,000 in exploration work commitments over a three-year period (\$462,998 spent). EVALAM will retain a net smelter return ("NSR") of 0.5% on the first 12,500 tonnes of copper equivalent and 0.75% on any amount in excess of 12,500 tonnes of copper equivalent. The NSR also has a lifetime cap of \$5,000,000.

In November 2019, the Company entered into an agreement, through its subsidiary, with Strategic Minerals Spain, S.L. to acquire all rights to the Al Andalus Investigation Permit, covering an area adjacent to the Company's Escacena Project. The Company has agreed to pay €300,000 consisting of an initial payment of €275,000 (paid) and a final payment of €25,000 (paid) not more than six months after the signing date.

Exploration Expenditures

For the three months ended April 30, 2020	Aguilas	Escacena	Total
Drilling	\$ -	\$ 184,188	\$ 184,188
License fees	19,219	26,345	45,564
Professional fees	8,370	28,672	37,042
Technical consulting	15,000	15,000	30,000
Technical services	10,022	173,090	183,112
Travel	252	3,587	3,839
	\$ 52,863	\$ 430,882	\$ 483,745

For the three months ended April 30, 2019	Aguilas	Escacena	Total
Drilling	\$ 197,356	\$ -	\$ 197,356
License fees	59,938	65,472	125,410
Professional fees	13,007	11,142	24,149
Technical consulting	15,000	15,000	30,000
Technical services	145,992	43,750	189,742
Travel	23,101	-	23,101
	\$ 454,394	\$ 135,364	\$ 589,758

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

5. RIGHT-OF-USE ASSETS

	Amount
As at January 31, 2020, net	\$ 34,398
Depreciation	(4,409)
As at April 30, 2020, net	\$ 29,989

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities consist of the following:

	April 30, 2020	January 31, 2020
Accounts payable	\$ 211,434	\$ 138,769
Accrued liabilities	103,500	68,500
	\$ 314,934	\$ 207,269

7. LEASE LIABILITIES

As at April 30, 2020, the Company's future minimum lease payments are as follows:

	Amount
As at January 31, 2020	\$ 34,428
Accretion expense	510
Lease payments made	(4,828)
Currency translation	1,228
As at April 30, 2020	31,338
Less: current portion	16,530
Long-term portion	\$ 14,808

8. SHARE CAPITAL**Authorized Share Capital**

Authorized share capital consists of:

- unlimited number of common shares without par value
- unlimited class "A" common shares with a par value of \$1
- unlimited class "B" common shares with a par value of \$5

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

8. SHARE CAPITAL (cont'd...)**Stock Options**

The continuity of stock options for the three months ended April 30, 2020 are as follows:

Expiry date	Exercise price	Balance January 31, 2020	Granted	Exercised	Expired	Balance April 30, 2020		
Apr 18, 2027	\$ 0.10	2,425,000	-	-	-	2,425,000		
Dec 01, 2027	\$ 0.20	2,775,000	-	-	-	2,775,000		
Jun 20, 2028	\$ 0.215	125,000	-	-	-	125,000		
Apr 16, 2029	\$ 0.10	1,745,000	-	-	-	1,745,000		
Total and exercisable		7,070,000	-	-	-	7,070,000		
Weighted average								
exercise price	\$	0.14	\$	-	\$	-	\$	0.14

As at April 30, 2020, the weighted average remaining life of the stock options outstanding is 7.73 (January 31, 2020 - 7.97) years.

Share Purchase Warrants

The continuity of share purchase warrants for the three months ended April 30, 2020 are as follows:

Expiry date	Exercise price	Balance January 31, 2020	Issued	Exercised	Expired/cancelled	Balance April 30, 2020				
Mar 06, 2020	\$ 0.10	640,200	-	(640,200)	-	-				
Aug 20, 2021	\$ 0.20	13,652,240	-	-	-	13,652,240				
Dec 16, 2021	\$ 0.24	14,775,111	-	-	-	14,775,111				
Total		29,067,551	-	(640,200)	-	28,427,351				
Weighted average										
exercise price	\$	0.22	\$	-	\$	0.10	\$	-	\$	0.22

As at April 30, 2020, the weighted average remaining life of the share purchase warrants outstanding is 1.47 (January 31, 2020 - 1.69) years.

Share-based Compensation

In April 2019, the Company granted 1,745,000 stock options to directors, officers, and employees of the Company with an exercise price of \$0.10 per option with an expiry date of April 16, 2029. Using the fair value method for share-based payments, the Company determined the weighted average fair value of the options granted to be \$156,338 or \$0.09 per share.

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

8. SHARE CAPITAL (cont'd...)**Share-based Compensation (cont'd...)**

The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

For the three months ended	April 30, 2020	April 30, 2019
Risk free interest rate	n/a	1.78%
Expected dividend yield	n/a	0%
Expected stock price volatility	n/a	100%
Expected life in years	n/a	10
Forfeiture rate	n/a	0%

For the three months ended April 30, 2019, in accordance with the vesting terms of stock options granted, the Company recorded a charge to share-based compensation expense of \$156,338 with the offsetting credit to reserves.

9. NON-CONTROLLING INTEREST

MASL is a 70%-owned subsidiary of the Company and is 30%-owned by a minority shareholder. For the three months ended April 30, 2020, loss of \$6,735 (2019 - \$139,664) has been allocated to the non-controlling interest of MASL. Summarized financial information about MASL is as follows:

For the three months ended	April 30, 2020	April 30, 2019
Current assets	\$ 309,186	\$ 736,183
Non-current assets	1,594,336	1,464,562
Current liabilities	35,350	330,575
Net loss and comprehensive loss	\$ 22,450	\$ 465,547

10. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to directors and key management personnel including the Company's President & Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Corporate Secretary were as follows:

For the three months April 30, 2020	Fees or salaries	Share-based compensation	Total
President & CEO	\$ 60,000	\$ -	\$ 60,000
Corporate Secretary	8,190	-	8,190
CFO	6,000	-	6,000
Directors	-	-	-
	\$ 74,190	\$ -	\$ 74,190

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

10. RELATED PARTY TRANSACTIONS (cont'd...)

For the three months April 30, 2019	Fees or salaries	Share-based compensation	Total
President & CEO	\$ 60,000	\$ 26,878	\$ 86,878
Corporate Secretary	13,504	4,480	17,984
CFO	6,000	4,480	10,480
Directors	1,622	98,551	100,173
	\$ 81,126	\$ 134,389	\$ 215,515

As at April 30, 2020, included in accounts payable and accrued liabilities is \$41,500 (January 31, 2020 - \$15,500) owing to the related parties as follows: \$20,000 (January 31, 2020 - \$Nil) to the CEO, \$18,000 (January 31, 2020 - \$12,000) to the CFO, and \$3,500 (January 31, 2020 - \$3,500) to the Corporate Secretary of the Company.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the three months ended April 30, 2020, the Company did not have any significant non-cash investing or financing activities.

During the three months ended April 30, 2019, the Company recognized ROU assets and lease liabilities of \$52,034 on the initial application of IFRS 16.

12. SEGMENTED INFORMATION

The Company operates in one reportable operating segment: the exploration and development of mineral properties. Summarized financial information for the geographic segments the Company operates in are as follows:

As at April 30, 2020	Canada	Spain	Total
Exploration and evaluation assets	\$ -	\$ 1,909,183	\$ 1,909,183
Reclamation deposits	-	99,785	99,785
Right-of-use assets	-	29,989	29,989
Total	\$ -	\$ 2,038,957	\$ 2,038,957

As at January 31, 2020	Canada	Spain	Total
Exploration and evaluation assets	\$ -	\$ 1,871,547	\$ 1,871,547
Reclamation deposits	-	106,971	106,971
Right-of-use assets	-	34,398	34,398
Total	\$ -	\$ 2,012,916	\$ 2,012,916

PAN GLOBAL RESOURCES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT**Financial Instruments**

The Company classified its financial instruments as follows:

	Amortized cost
As at April 30, 2020	
Financial assets	
Cash	\$ 581,963
Financial liabilities	
Accounts payable and accrued liabilities	\$ 314,934
As at January 31, 2020	
Financial assets	
Cash	\$ 1,119,914
Financial liabilities	
Accounts payable and accrued liabilities	\$ 207,269

Fair Value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- a) Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- c) Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of cash and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Risk and Capital Management

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. There was no change in the Company's approach to managing capital during the three months ended April 30, 2020. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

PAN GLOBAL RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian dollars)

FOR THE THREE MONTHS ENDED APRIL 30, 2020

13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)

Risk and Capital Management (cont'd...)

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital.

Credit Risk

Credit risk arises from cash and deposits with banks, as well as credit exposure on outstanding receivables and committed transactions. There is no significant concentration of credit risk. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure as it relates to amounts due from the governments of Canada and Spain pursuant to goods and services tax and VAT credits.

Interest Rate Risk

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates.

Currency Risk

The Company has identified its functional currency as the Canadian dollar. Certain of the Company's exploration expenditures have been denominated in Euros and United States dollars ("USD"). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and those currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions is minimal.

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 has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on the issuance of shares and warrants to fund exploration programs and will require doing so again in the future.