Pancontinental Gold Corporation
(Formerly, Pancontinental Uranium Corporation)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2016 and 2015

Collins Barrow Toronto
Collins Barrow Place
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario M5H 4C7
Canada
T: 416.480.0160
F: 416.480.2646

toronto.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pancontinental Gold Corporation

(Formerly, Pancontinental Uranium Corporation)

We have audited the accompanying consolidated financial statements of Pancontinental Gold Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and January 1, 2015 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pancontinental Gold Corporation and its subsidiaries as at December 31, 2016 and December 31, 2015 and January 1, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes the material uncertainties that may cast significant doubt about Pancontinental Gold Corporation's ability to continue as a going concern.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
April 28, 2017
Toronto, Ontario

Pancontinental Gold Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2016	December 31, 2015 *(Restated - Note 3)*	January 1, 2015 *(Restated - Note 3)*
Assets			
Current			
Cash	**$ 630,676**	$ 498,324	$ 14,997
Royalty revenue receivable (Note 18)	**48,500**	-	-
Sales tax receivable	**5,087**	4,894	8,131
Prepaid expenses	**21,721**	2,972	-
Discontinued operations (Note 18)	**-**	4,501	83
	705,984	510,691	23,211
Investment in Tortuga Resources Inc. (Note 7)	**1**	1	232,000
	$ 705,985	$ 510,692	$ 255,211
Liabilities			
Current			
Accounts payable and accrued liabilities (Notes 8 and 14)	**$ 181,618**	$ 108,943	$ 308,814
Loans from related parties (Note 14)	**100,000**	105,000	162,000
Discontinued operations (Note 18)	**-**	-	453,812
	281,618	213,943	924,626
Equity (Deficit)			
Capital stock (Note 9)	**17,107,216**	16,397,241	16,397,241
Contributed surplus	**3,454,783**	2,912,878	2,829,995
Warrants (Note 10)	**503,224**	-	82,883
Deficit	**(20,640,856)**	(19,013,370)	(19,990,774)
Accumulated other comprehensive income	**-**	-	11,240
	424,367	296,749	(669,415)
	$ 705,985	$ 510,692	$ 255,211

Nature of operations and going concern (Note 1)
Subsequent events (Note 21)

Approved by the Board of Directors	**"Thomas Layton Croft"** Director	**"Donald Whalen"** Director

Pancontinental Gold Corporation
Consolidated Statements of Operations
(Expressed in Canadian Dollars)

Years Ended December 31,	**2016**	2015 *(Restated - Note 3)*
Other Income		
Gain on debt settlement (Note 16)	**$ 38,520**	$ 111,245
Royalty revenue (Note 18)	**50,000**	-
	88,520	111,245
Expenses		
Corporate and administrative (Note 11)	**358,934**	282,260
Share-based payments (Note 9)	**585,075**	-
Impairment of investment in Tortuga Resources Inc. (Note 7)	**-**	220,759
Foreign exchange loss	**2,724**	947
Exploration and evaluation (Note 12)	**769,273**	-
Interest expense	**-**	186
	1,716,006	504,152
Loss before income from discontinued operations	**(1,627,486)**	(392,907)
Income from discontinued operations (Note 18)	**-**	1,370,311
Net (loss) income for the year	**$ (1,627,486)**	$ 977,404
Basic and diluted (loss) earnings per share (Note 15)		
Continued operations	**$ (0.018)**	$ (0.005)
Discontinued operations	**0.000**	0.017
Weighted average number of common shares outstanding - Basic and diluted	**88,241,188**	82,538,104

Pancontinental Gold Corporation
Consolidated Statements of Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

Years Ended December 31,	2016	2015
		(Restated - Note 3)
Net income (loss) for the year	**$ (1,627,486)**	$ 977,404
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment - continued operations	**-**	(11,240)
Comprehensive income (loss)	**$ (1,627,486)**	$ 966,164

Pancontinental Gold Corporation
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Capital stock Number	Capital stock Amount	Contributed surplus	Warrant reserve	Deficit	Accumulated other comprehensive income (loss)	Total
					(Restated - Note 3)	*(Restated - Note 3)*	
Balance, January 1, 2015	**82,538,104**	**$ 16,397,241**	**$ 2,829,995**	**$ 82,883**	**$ (19,990,774)**	**$ 11,240**	**$ (669,415)**
Warrants expired	-	-	82,883	(82,883)	-	-	-
Net income for the year	-	-	-	-	977,404	-	977,404
Other comprehensive loss	-	-	-	-	-	(11,240)	(11,240)
Balance, December 31, 2015	**82,538,104**	**16,397,241**	**2,912,878**	**-**	**(19,013,370)**	**-**	**296,749**
Units issued by private placement, net of share issuance cost (Note 9)	12,516,250	462,525	-	503,224	-	-	965,749
Shares issued for debt (Note 9)	856,000	4,280	-	-	-	-	4,280
Exercise of options(Note 9)	1,600,000	123,170	(43,170)	-	-	-	80,000
Shares issued for mineral property acquisition (Note 9)	2,000,000	120,000	-	-	-	-	120,000
Share-based payments (Note 9)	-	-	585,075	-	-	-	585,075
Net loss for the year	-	-	-	-	(1,627,486)	-	(1,627,486)
Balance, December 31, 2016	**99,510,354**	**$ 17,107,216**	**$ 3,454,783**	**$ 503,224**	**$ (20,640,856)**	**$ -**	**$ 424,367**

See accompanying notes

Pancontinental Gold Corporation
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Years Ended December 31,	**2016**	2015 *(Restated - Note 3)*
Cash (used in) provided by:		
Operating activities		
Net (loss) income for the year from continuing operations	**$ (1,627,486)**	$ (392,907)
Adjustments to reconcile loss to net cash used in operating activities:		
Shares issued for mineral property acquisition	**120,000**	-
Impairment of investment in Tortuga Resources Inc.	**-**	220,759
Share-based payments	**585,075**	-
Unrealized foreign exchange	**(14,588)**	-
Gain on debt settlement	**(38,520)**	(111,245)
	(975,519)	(283,393)
Net changes in non-cash working capital balances:		
Sale tax receivable	**(193)**	3,237
Royalty revenue receivables	**(48,500)**	-
Prepaid expenses	**(18,749)**	(2,972)
Accounts payable and accrued liabilities	**115,475**	(88,626)
Cash from continued operations	**(927,486)**	(371,754)
Cash from discontinued operations (Note 18)	**4,501**	912,081
	(922,985)	540,327
Financing activities		
Related party loan advances	**-**	22,674
Related party loan repayments	**(5,000)**	(79,674)
Units issued by private placement	**1,001,300**	-
Shares issued for stock options exercised	**80,000**	-
Share issuance costs	**(35,551)**	-
	1,040,749	(57,000)
Net change in cash	**117,764**	483,327
Cash, beginning of year	**498,324**	14,997
Effect of exchange rate changes on cash	**14,588**	-
Cash, end of year	**$ 630,676**	$ 498,324

Supplemental Disclosure

Shares issued on settlement of debt (Note 9)	**$ 4,280**	$ -
Shares issued for mineral property acquisition (Note 9)	**$ 120,000**	$ -

1. NATURE OF OPERATIONS AND GOING CONCERN

Pancontinental Gold Corporation, formerly, Pancontinental Uranium Corporation (the "Company"), is an exploration stage company involved in the business of acquiring, exploring and developing mineral properties that it believes may contain mineralization that will be economically recoverable. The name of the Company was changed on July 25, 2016. The address of the Company's registered office is 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1.

On August 17, 2016, the Company closed an asset purchase agreement, as further described in Note 12, to acquire a 100% interest in exploration-stage gold properties ("Jefferson Project") located in South Carolina, United States, which facilitated the graduation of the Company, on October 24, 2016, to the TSX Venture Exchange as a Tier 2 mining issuer.

The Company has been in the exploration stage since inception. 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 acquiring mineral properties, discovering economically recoverable mineral deposits, future profitable production, maintaining and securing title and beneficial interest in its properties, and its ability to obtain necessary financing, if and when required.

The Company has not produced revenues from its exploration activities and does not have a regular source of cash flow. Further funds will be required for the Company to continue as a going concern and fund its activities. There can be no assurance that the Company will be able to obtain sufficient financing in the future or at favourable terms, depending in part on the prevailing capital market conditions and mineral property exploration success.

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, 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. If the going concern assumption was not appropriate then adjustments would be necessary to the carrying values of the Company's assets and liabilities, which may be material.

As at December 31, 2016 the Company has an accumulated deficit of $20,640,856 (2015 - $19,013,370; January 1, 2015 - $19,990,774), working capital of $424,366 (2015 - $296,748; January 1, 2015 - deficiency $901,415), and has incurred losses for the year ended December 31, 2016 of $1,627,486 (2015 - income $977,404).

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements for the year ended December 31, 2016 (including comparatives) were approved and authorized for issue by the board of directors on April 25, 2017.

2. BASIS OF PREPARATION (Cont'd)

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation ("Palmetto"), a United States company incorporated on June 22, 2016, Panconoz Pty Ltd. ("Panconoz"); an Australian company that was wound-up and deregistered on September 14, 2016; Maya Gold Corporation S.A. de C.V., an inactive Honduras company; and the Company's equity accounted investment in Crosscontinental Uranium Limited ("Crosscontinental"), dissolved on September 30, 2015. All significant inter-company transactions and balances have been eliminated upon consolidation.

Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through profit and loss and as available-for-sale.

Functional and Presentation Currency

The consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company. The functional currency of Panconoz and Crosscontinental is the Australian dollar ("AUD"). The functional currency of Palmetto is the Canadian dollar ("CAD").

3. CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2016, the Company voluntarily changed its accounting policy for exploration and evaluation expenditures in accordance with IFRS 6 - Exploration for and Evaluation of Mineral Resources. Previously, the Company deferred (capitalized) these expenditures, including acquisition costs, until such time the mineral properties moved beyond the exploration and evaluation stage, were sold or were determined to be impaired. Costs related to pre-exploration and evaluation activities were expensed.

Under the new policy the Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit. Management considers this accounting policy to provide more reliable and relevant information and more clearly represents the Company's activities. The accounting policy change has been applied retrospectively.

In accordance with IAS1 – Presentation of Financial Statements and IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company has restated its consolidated statement of financial position beginning January 1, 2015.

(Expressed in Canadian Dollars)

3. CHANGE IN ACCOUNTING POLICY (Cont'd)

The consolidated financial statement impact, as at January 1, 2015, is as follows:

Consolidated Statements of Financial Position

	As previously reported	Effect of change in accounting policy	As restated
Mineral properties	$ 2,375,000	$ (2,375,000)	$ -
Total assets	2,630,211	(2,375,000)	255,211
Deficit	(17,548,422)	(2,442,352)	(19,990,774)
Accumulated other comprehensive income (loss)	(56,112)	67,352	11,240
Total liabilities and shareholder's equity	2,630,211	(2,375,000)	255,211

The consolidated financial statement impact, as at and for the year ended December 31, 2015, is as follows:

Consolidated Statements of Financial Position

	As previously reported	Effect of change in accounting policy	As restated
Total assets	$ 510,692	$ -	$ 510,692
Deficit	(19,013,370)	-	(19,013,370)
Total liabilities and shareholder's equity	510,692	-	510,692

Consolidated Statements of Operations and Comprehensive Income (Loss)

	As previously reported	Effect of change in accounting policy	As restated
Loss from continued operations	$ (392,907)	$ -	$ (392,907)
Income (loss) from discontinued operations	(1,072,041)	2,442,352	1,370,311
Income (loss) for the period	(1,464,948)	2,442,352	977,404
Foreign currency translation adjustment:			
Continuing operations	(11,240)	-	(11,240)
Discontinued operations	67,352	(67,352)	-
Total comprehensive income (loss)	(1,408,836)	2,375,000	966,164
Basic and diluted income (loss) per share			
Continued operations	(0.005)	-	(0.005)
Discontinued operations	(0.013)	0.030	0.017

(Expressed in Canadian Dollars)

3. CHANGE IN ACCOUNTING POLICY (Cont'd)

Consolidated Statements of Cash Flows

	As previously reported	Effect of change in accounting policy	As restated
Operating activities:			
Cash flows used in continued operations	$ (371,754)	$ -	$ (371,754)
Cash flows from discontinued operations	103,757	808,324	912,081
Cash flows from (used in) operating activities	(267,997)	808,324	540,327
Cash flows from (used in) investing activities	808,324	(808,324)	-

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements.

(a) Joint Arrangements

Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements, which are further described in Note 18. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Company’s share of the post-acquisition profits or losses and movements in other comprehensive income. When the Company’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint ventures), the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Unrealised gains on transactions between the Company and its joint ventures are eliminated to the extent of the Company’s interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The interests in joint arrangements that are classified as joint operations are accounted for by the Company recording its pro rata share of the assets, liabilities, revenues, costs and cash flows.

(b) Foreign Currency Translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At each reporting date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the year end exchange rate. All foreign currency adjustments are expensed.

Financial statements of the subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollar, the presentation currency, as follows: all asset and liability accounts are translated at the year end exchange rate and all earnings and expense accounts and cash flow statement items are translated at prevailing exchange rates at the invoice date. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Foreign Currency Translation (Cont'd)

The parent company has monetary items that are receivable from foreign operations. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the parent company's net investment in that foreign operation. Such exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss in foreign exchange gain/loss on disposal of the net investment in foreign operations.

(c) Exploration and Evaluation Expenditures

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition cost of mineral properties, property payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(d) Income Taxes

The Company follows the deferred tax method of accounting for income taxes. Deferred assets and liabilities are recognized for the future tax consequences attributable to the difference between consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates upon which realization of such benefits is probable. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be recognized.

(e) Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value, with any resultant gain or loss recognized in the consolidated statements of operations. FVTPL assets consists of cash.

Financial instruments classified as being available-for-sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income (loss), except for impairment losses and, in the case of monetary items such as securities denominated in foreign currency, which are recorded in foreign exchange gains and losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. Loans and receivables consist of a royalty revenue receivable.

Financial liabilities classified as other financial liabilities are measured at amortized cost using the effective interest rate method. Other financial liabilities consists of accounts payable and accrued liabilities and loans from related parties.

Transaction costs associated with FVTPL financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and financial liabilities are included in the initial carrying amount of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Provisions

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(g) Share-based Payments

The Company accounts for share-based payments using the fair value based method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche of options issued to employees and others providing similar services is determined by using the Black-Scholes option pricing model. The fair value of each tranche of options issued to non-employees is determined by the fair value of the goods or services received. If the fair value of the goods or services received cannot be reliably measured, then the Black-Scholes option pricing model is used. The fair value of stock options, adjusted for expected forfeitures, is recognized as share-based payments expense over each tranche's vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when the stock options are exercised. The fair value of stock options remains in contributed surplus on expiry of options. Any consideration paid on the exercise of stock options is credited to capital stock.

(h) Loss Per Share

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of outstanding common shares during the year. Dilution is calculated based on the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to purchase common shares at the weighted average market price in the period.

(i) Warrants

The Company adopted a relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. Warrants attached to units are valued using the Black-Scholes option pricing model and the share price at the time of financing. The shares are valued based on quoted market price. The proceeds from the issue of units are allocated between share capital and reserve for warrants. If and when the warrants are exercised, the applicable amounts of reserve for warrants are transferred to capital stock. Any consideration paid on the exercise of the warrants is credited to capital stock. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus.

In situations where warrants are issued as consideration for goods or services received and some or all of the goods or services received by the entity cannot be specifically identified, or reliably measured, they are measured at fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model.

(j) Royalty Revenue

Royalty revenue is recognized pursuant to the terms of the applicable royalty agreement and when collection is reasonably assured.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) New Standards and Interpretations Issued But Not Yet Adopted

The following standards have been issued but are not yet effective:

IFRS 9 - *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") was issued in final form in July 2014 by the IASB and will replace IAS 39, *Financial Instruments – Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early application is permitted.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15, which will replace IAS 11 – *Construction Contracts*, IAS 18 – *Revenue*, IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services.* The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year. Earlier application is permitted.

IFRS 15 – *Revenue from Contracts with Customers* (Cont'd)

The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple deliverable arrangements.

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, although early adoption is permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same time as IFRS 16.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) New Standards and Interpretations Issued But Not Yet Adopted (Cont'd)

IAS 7 – *Statement of Cash Flows*

The IAS 7 Disclosure Initiative, amending IAS 7 *Statement of Cash Flows*, require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure is to provide a reconciliation between the opening and closing balances on the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in compliance with IFRS requires the Company's management to make certain estimates and judgements that they consider reasonable and realistic. Despite regular reviews of these estimates and judgements, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and judgements which could impact the reported amount of the Company's assets, liabilities, equity or earnings.

The most significant estimates relate to the measurement of share-based payments and warrant fair value, impairment of investments, measurement of deferred tax assets and liabilities, and establishment of provisions and quantifying contingencies. The determination of these estimates involve the use of judgements.

Judgement is used in the choice of policy related to exploration and evaluation, determination of the Company's functional currency and the functional currency of its subsidiaries, and classification of joint arrangements as a joint venture or joint operation.

(Expressed in Canadian Dollars)

6. 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 acquisition of other mineral resource properties for the benefit of its shareholders.

As at December 31, 2016, the Company had working capital of $424,366 (2015 - $296,748; January 1, 2015 - deficiency $901,415).

There were no changes in the Company's management of its capital during the year ended December 31, 2016. The Company is not subject to any externally imposed capital requirements.

The Company considers its capital structure to consist of shareholder's equity. In order to maintain its capital structure, the Company is dependent on equity funding and when necessary, raises capital through the issuance of equity instruments, comprised of common shares, warrants, and incentive stock options. The Company has not established quantitative targets for its capital structure and reviews its capital management methods and requirements on an ongoing basis and makes adjustments, accordingly.

7. INVESTMENT IN TORTUGA RESOURCES INC.

	December 31, 2016	December 31, 2015	January 1, 2015
Balance, beginning of year	**$ 1**	$ 232,000	$ 232,000
Unrealized loss on foreign exchange translation	**-**	(11,240)	-
Impairment of investment	**-**	(220,759)	-
Balance, end of year	**$ 1**	$ 1	$ 232,000

In 2014, the Company acquired 666,667 common shares of Tortuga Resources Inc. for USD $200,000. Tortuga is a private company engaged in the acquisition, exploration and development of oil and gas properties in the United States. The price paid for the common shares represents the fair value at the time of acquisition. The fair value of the investment will be impacted by fluctuations in the United States dollar and investee corporate transactions and other factors that affect measurement of share value. This financial instrument is classified as available-for-sale with fair value changes recorded through other comprehensive income. An impairment loss was recognized in 2015 as management lowered its outlook for recovering its investment.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016	December 31, 2015	January 1, 2015
Trade payables and accrued liabilities	**$ 169,221**	$ 78,159	$ 230,785
Due to related parties (Note 14)	**12,397**	30,784	78,029
	$ 181,618	$ 108,943	$ 308,814

(Expressed in Canadian Dollars)

9. CAPITAL STOCK

Authorized

Unlimited common shares, without par value
Unlimited preferred shares, without par value

Issued Common Shares

	Number	Amount
Balance, January 1, 2015 and December 31, 2015	**82,538,104**	**$ 16,397,241**
Shares issued as debt settlement(i)	856,000	4,280
Shares issued by exercise of stock options(ii)	1,600,000	123,170
Shares issued for purchase of mineral property(iii)	2,000,000	120,000
Shares issued by private placement(iv)	12,516,250	1,001,300
Fair value attributed to warrants(iv)	-	(481,512)
Share issuance costs - broker warrants(iv)	-	(21,712)
Share issuance costs(iv)	-	(35,551)
Balance, December 31, 2016	**99,510,354**	**$ 17,107,216**

(i) On January 13, 2016, the Company issued 856,000 shares at $0.005 per share in settlement of 2015 trade payables of $42,800, resulting in a gain on debt settlement of $38,520. The creditors were non-related parties.

(ii) On August 11, 2016, the Company issued 1,600,000 shares in connection to the exercise of stock options for net proceeds of $80,000. The fair value relating to these options exercised in the amount of $43,170 was transferred from contributed surplus to capital stock.

(iii) On August 17, 2016, the Company issued 2,000,000 shares at $0.06 per share in accordance with the closing of the asset purchase agreement to acquire a 100% interest in exploration-stage gold properties ("Jefferson Project" - Note 12).

(iv) On September 21, 2016, the Company issued 12,516,250 units at $0.08 per unit for gross proceeds of $1,001,300. Each unit was comprised of one common share and 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 18 months, expiring on March 21, 2018. If at any time, after January 22, 2017, the closing price of the common shares of the Company, as traded on the TSX Venture Exchange, equals or exceeds $0.20 for 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants to a date which is 30 days following the date of the Company announcing the accelerated expiry. The fair value of the warrants was estimated at $481,512 using relative fair value method. In connection with the offering, the Company issued an aggregate of 210,000 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of $0.12 per share, expiring on March 21, 2018. The broker warrants contain the identical terms and conditions as the unit warrant, however the broker warrants are not subject to the accelerated expiry provision. The fair value of the broker warrants was estimated at $21,712 using the Black-Scholes pricing model. Cash share issuance cost incurred relating to this private placement were $35,551. The above broker warrants were measured based on the fair value of the equity investments granted in the absence of a reliable measurement of the services received.

(Expressed in Canadian Dollars)

9. CAPITAL STOCK (Cont'd)

Stock Option Plan

Under the terms of the Stock Option Plan, the Company is authorized to issue up to a maximum of 10% of the issued common shares with an exercise period not to exceed 10 years. The term, exercise price and vesting conditions are determined by the Company's 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, January 1, 2015	**4,450,000**	**$**	**0.07**
Options expired/cancelled	(200,000)		0.20
Balance, December 31, 2015	**4,250,000**		**0.07**
Options granted (i)	5,500,000		0.12
Options exercised (ii)	(1,600,000)		0.05
Options expired/cancelled	(100,000)		0.10
Balance, December 31, 2016	**8,050,000**	**$**	**0.10**

In accordance with the terms of the Company's Stock Option Plan, the Company:

(i) On September 21, 2016, the Company granted 4,300,000 stock options to directors, officers and a consultant. These options vested immediately and were issued with an exercise price of $0.12 and have a five year term, expiring on September 21, 2021.

On November 1, 2016, the Company granted 1,200,000 stock option to an officer and consultants. These options vested immediately and were issued with an exercise price of $0.12 and have a five year terms, expiring on November 1, 2021.

(ii) On August 11, 2016, 1,600,000 stock options were exercised. These options were originally granted on June 11, 2014. The fair value relating to these options exercised in the amount of $43,170 was transferred from contributed surplus to capital stock. The share price on the date of exercise was $0.05.

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

	2016
Dividend yield	**Nil%**
Expected volatility (based on historical trends of the Company)	**223%**
Risk free rate of return	**0.71%**
Expected life	**5 years**
Share price	**$0.11**

(Expressed in Canadian Dollars)

9. CAPITAL STOCK (Cont'd)

Stock Option Plan (Cont'd)

During the year ended December 31, 2016, the Company recognized stock-based compensation expense of $585,075 (2015 - $nil). The offsetting credit was charged to contributed surplus.

The consultants options were measured based on the fair value of the equity investments granted in the absence of a reliable measurement of the services received.

The following is a summary of stock options outstanding at December 31, 2016:

Expiry Date	Number	Exercise Price	Exercisable	Average Remaining Contractual Life (years)
February 23, 2017	300,000	$ 0.10	300,000	0.14
June 26, 2018	200,000	0.10	200,000	1.48
November 18, 2018	150,000	0.10	150,000	1.88
June 11, 2019	1,900,000	0.05	1,900,000	2.44
September 21, 2021	4,300,000	0.12	4,300,000	4.72
November 1, 2021	1,200,000	0.12	1,200,000	4.83
	8,050,000		8,050,000	3.89

10. WARRANTS

Warrant transactions and the number of warrants outstanding are as follows:

	Number	Weighted Average Exercise Price
Balance, January 1, 2015	**2,189,607**	**$ 0.12**
Warrants expired	(2,189,607)	0.12
Balance, December 31, 2015	**-**	**-**
Warrants issued (Note 9)	12,516,250	0.12
Broker warrants issued (Note 9)	210,000	0.12
Balance, December 31, 2016	**12,726,250**	**$ 0.12**

Expiry date	Number	Exercise Price	Average Remaining Life (years)	Fair Value
March 21, 2018	12,726,250	$ 0.12	1.22	$ 503,224

(Expressed in Canadian Dollars)

10. WARRANTS (Cont'd)

The following table summarizes the weighted average assumptions used with the Black-Scholes valuation model for valuing the broker warrants:

	2016
Dividend yield	**Nil%**
Expected volatility (based on historical trends of the Company)	**295%**
Risk free rate of return	**0.57%**
Expected life	**1.5 years**
Share price	**$0.11**

11. CORPORATE AND ADMINISTRATIVE

	2016	2015
Filing and transfer agent fees	**$ 25,690**	$ 22,907
Management fees (Note 14)	**120,676**	112,000
Office	**20,139**	15,597
Professional fees	**115,369**	55,590
Rent	**8,773**	6,000
Salaries and benefits (Note 14)	**8,875**	51,924
Shareholder relations and promotion	**21,483**	18,135
Travel	**20,557**	107
Consulting	**17,372**	-
	$ 358,934	$ 282,260

12. EXPLORATION AND EVALUATION

	2016	2015
Acquisition costs	**$ 220,000**	$ -
Property cost	**299,917**	-
Assaying	**23,022**	-
Consulting/Contracting	**86,425**	-
Drilling	**72,292**	-
Equipment and supplies	**18,004**	-
Reports	**6,495**	-
Site costs	**7,655**	-
Travel/Transportation	**14,860**	-
Wages and benefits	**20,603**	-
	$ 769,273	$ -

(Expressed in Canadian Dollars)

12. EXPLORATION AND EVALUATION (Cont'd)

On August 17, 2016 the Company closed an asset purchase agreement (the "APA") entered into on May 20, 2016 with Firebird Resources Inc. ("Firebird"), Pageland Minerals Inc. ("Pageland") and Appalachian Resources LLC ("Appalachian"), to acquire a 100% interest in exploration-stage gold properties ("Jefferson Project") located in South Carolina, United States, along with exploration and property information for consideration payable - (1) to Firebird and Pageland, in the aggregate: cash totalling $100,000 (paid); and, 1,000,000 common shares (issued - Note 9) in the share capital of the Company - and, (2) to Appalachian, 1,000,000 common shares (issued - Note 9) in the share capital of the Company. As part of acquiring the underlying property leases, the Company expects to pay approximately USD $182,000 to settle arrear lease property payments that existed at the closing of the APA, of which approximately USD $172,000 of these arrear lease property payments have been paid in 2016. Subsequent to closing the APA, the remaining annual lease payments for 2016 were approximately USD $65,100, of which approximately USD $61,100 has been paid.

The Jefferson Project consists of 14 property leases, 13 of which have been confirmed by the landowners (lessee). The property leases range in expiration from 2019 to 2032. During the life of the property leases the Company is required to make annual property lease payments between USD $600 - USD $25,000. Aggregate annual property lease payments for 2017 are approximately USD $135,000. Advance royalty payments start in 2018 for certain property leases, the advance royalty payments range between USD $900 - USD $75,000.

A production royalty of 3.5% (the "Royalty") is payable to the landowner that owns the property from which minerals are produced. Advance royalty payments are non-refundable and will be credited towards the Royalty payable from production.

13. MANAGEMENT COMPENSATION

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

	Short-term compensation	Stock based compensation	Total
2016	**$ 102,000**	**423,212**	**525,212**
2015	$ 162,000	-	162,000

14. RELATED PARTY TRANSACTIONS AND BALANCES

During the years ended December 31, 2016 and 2015, the Company in its normal course of operations, entered into the following transactions:

(a) Management fees and salaries of $120,676 (2015 - $162,000) were paid or became payable to an officer and to companies controlled by or associated with officers of the Company.

(b) In 2015 the Company settled accrued salaries of $83,000, payable to the Company's president, for $27,664, resulting in a $55,336 gain on debt settlement. The $27,664 was paid to the Company's president in 2016.

(c) Loans from related parties of $100,000 (2015 - $105,000; January 1, 2015 - $162,000) consist of cash advances provided by company directors. These loans are non-interest bearing, unsecured and due on demand.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

(d) Company directors and officers subscribed for $37,000 (462,500 units) of the $1,001,300 (12,516,250 units) private placement closed on September 21, 2016 (Note 9).

(e) On August 11, 2016, directors and officers of the Company exercised 1,400,000 stock options, originally granted on June 11, 2014, for proceeds of $70,000.

(f) During 2016, the Company granted 4,300,000 stock options to directors and officers of the Company resulting in share-based payment expense of $462,697.

Included in accounts payable and accrued liabilities is $12,397 (2015 - $30,784; January 1, 2015 - $78,029) payable to directors/officers or companies controlled by or associated with directors/officers of the Company.

15. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding. As a result of the net losses for the years ended December 31, 2016 and 2015, the exercise of options and warrants has been excluded from the calculation of diluted loss per share given their anti dilutive nature.

16. GAIN ON DEBT SETTLEMENT

In 2016, a gain on debt settlement of $38,520 was realized as 856,000 common shares (Note 9) at $0.005 per share were issued to settle accounts payable of $42,800. In 2015, a gain on debt settlement of $111,245 was realized as the Company paid cash of $107,757 to settle accounts payable of $219,002.

17. SEGMENTED INFORMATION

At December 31, 2016 the Company's operations are comprised of a single reporting operating segment engaged in mineral exploration in the United States. As such, management has organized the Company's reportable segments by geographic area. The United States segment is responsible for that country's mineral exploration activities and the Canadian segment manages corporate head off activities.

Assets	**December 31, 2016**	December 31, 2015	January 1, 2015
		(Restated - Note 3)	*(Restated - Note 3)*
Current assets			
Canada	**$ 627,338**	$ 506,190	$ 23,211
United States	**78,646**	-	-
	$ 705,984	$ 506,190	$ 23,211
Long-term assets			
Canada	**$ 1**	$ 1	$ 232,000

18. DISCONTINUED OPERATIONS

Discontinued operations is comprised of amounts related to: the divesture of the Company's interest in the Australian Joint Venture, which was held by its wholly-owned subsidiary, Panconoz, deregistered on September 14, 2016 and is further described below; and, Crosscontinental, an equity accounted investment, which was dissolved on September 30, 2015. The remaining assets of the Australian Joint Venture have been reclassified as discontinued operations as at December 31, 2015 and January 1, 2015.

The amounts reported on the statement of operations reflect the income earned from the disposal of the interests.

Australian joint venture

On February 8, 2007, pursuant to a letter of agreement dated February 14, 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. The Company's interest was subsequently diluted to 43.72%.

On January 15, 2015, the Company entered into a definitive purchase and sale agreement (the "PSA"), as amended, with Essential Mining Resources Pty Ltd. ("EMR") that provided for the sale of the Company's entire interest (43.72%) in the Joint Venture. On November 26, 2015 (the "Effective Date") the Company completed the sale of its entire interest in the Joint Venture to EMR. Net proceeds received from the sale were $1,181,111 and the Company retained a gross overriding royalty ("GOR") of one percent (1%) on sales of production from 100% of the properties (the "JV Properties") held by the Joint Venture at closing of the PSA. In accordance with the terms of the PSA, the Company paid Crossland AUD $164,109 in full settlement of accrued payables of AUD $328,128, resulting in a gain on debt settlement of AUD $149,190 (CAD $144,714). The net proceeds from the sale of $1,181,111 and the gain on debt settlement of $144,714 are included in income from discontinued operations.

On each anniversary of the Effective Date, EMR is obligated to pay to the Company an advance royalty of AUD $50,000. The advance royalty payments received by the Company are non-refundable and will be deducted from the 1% GOR payable to the Company upon the JV Properties being placed into production. The advance royalty payments are subject to adjustment for reductions in the size of the JV Properties. The Company has recorded royalty revenue receivable of $48,500 (AUD $50,000) relating to the payment due on November 26, 2016 (received subsequent to year-end).

(Expressed in Canadian Dollars)

19. INCOME TAXES

Provision for Income Taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 26.50% (2015 - 26.50%) were the following:

	2016	2015
Net (loss) income for the year before income taxes	**$ (1,627,486)**	$ 977,404
Expected tax recovery at statutory rates	**(431,284)**	259,012
Increase (decrease) resulting from:		
Non-deductible expenses and other permanent differences	**137,960**	7,324
Adjustment to non-capital and net-capital losses	**56,451**	-
Effects of difference in foreign exchange and other	**56,195**	(45,032)
Effect of lower tax rates in foreign jurisdiction	**(21,507)**	-
Change in deferred tax assets not recognized	**202,185**	(221,304)
Deferred income tax expense (income)	**$ -**	$ -

Deferred Income Taxes

The tax effects of temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are as follows:

	2016	2015
Non-capital losses	**$ 914,015**	$ 1,605,185
Net-capital losses	**671,377**	-
Equipment	**-**	1,183
Share issuance costs	**17,399**	10,703
Mineral properties	**1,641,011**	1,395,296
Investment in Tortuga Resources Inc.	**29,251**	58,501
Deferred tax assets not recognized	**(3,273,053)**	(3,070,868)
	$ -	$ -

(Expressed in Canadian Dollars)

19. INCOME TAXES (Cont'd)

Tax Carry-Forwards

The Company has $5,060,357 in Canadian Federal foreign resource tax pools which may be deducted in the calculation of taxable income in future years. These pools can be carried forward indefinitely. The Company also has available $5,084,812 of capital losses that can be carried forward indefinitely to use against future taxable capital gains. In addition, the Company has Canadian and United States non-capital losses, which may be deducted in the calculation of taxable income in future years, that will expire, if not utilized, as follows:

Year of Origin	Year of Expiry	Canada	United States	Total
2016	2036	$ 230,296	$ 87,578	$ 317,874
2015	2035	306,983	-	306,983
2014	2034	57,686	-	57,686
2013	2033	484,230	-	484,230
2012	2032	339,605	-	339,605
2011	2031	429,001	-	429,001
2010	2030	398,478	-	398,478
2009	2029	327,862	-	327,862
2008	2028	284,689	-	284,689
2007	2027	292,677	-	292,677
2007	2026	168,717	-	168,717
		$ 3,320,224	**$ 87,578**	**$ 3,407,802**

The potential tax benefit relating to these tax carry-forward balances have not been reflected in these consolidated financial statements.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

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

IFRS 7 requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
- Level 3 – inputs for assets and liabilities not based upon observable market data

As at December 31, 2016 and 2015 and January 1, 2015 cash was carried at Level 1 fair value.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Risk Management

The Company's 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 main risks the Company's financial instruments are exposed to are credit, liquidity, and foreign currency risk discussed below.

(a) 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 consists of cash and the royalty revenue receivable. The Company reduces credit risk relating to cash by maintaining a majority of its cash is on deposit with Canadian and United States banks. Allowances on the royalty revenue receivable are maintained as necessary for potential credit losses. The royalty revenue receivable as at December 31, 2016 was received by the Company subsequent to year-end.

(b) 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 outlined in note 6 to the consolidated financial statements. 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 further equity funding arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price.

Accounts payable and accrued liabilities are generally due within 30 days and loans from related parties are due on demand.

(c) Foreign currency risk

The Company operates in Canada, the United States and previously in Australia, giving rise to market risks from changes in foreign exchange rates. The Company has potential future financial commitments denominated in US dollars (Note 12). The Company periodically monitors foreign exchange rates, though it has not entered into any financial arrangements to hedge or protect the Company from unfavourable changes in foreign exchange rates. As at December 31, 2016 and 2015, the Company did not have significant exposure to foreign currency risk.

21. SUBSEQUENT EVENTS

(i) On January 6, 2017, the Company granted 100,000 stock options to a consultant. The stock options vested immediately and were issued with an exercise price of $0.12 and a five year term.

(ii) On March 16, 2017, the Company granted 400,000 stock options to a director/officer of the Company. The stock options vested immediately and were issued with an exercise price of $0.12 and a five year term.

(iii) On February 23, 2017, 300,000 stock options having an exercise price of $0.10 expired. These options were outstanding as at December 31, 2016.