PANCONTINENTAL GOLD CORPORATION

(formerly, Pancontinental Uranium Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2016

(unaudited)

EXPRESSED IN CANADIAN DOLLARS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Pancontinental Gold Corporation (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, Collins Barrow 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 GOLD CORPORATION
(formerly, Pancontinental Uranium Corporation)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, expressed in Canadian dollars)

	Notes	**September 30 2016**	December 31 2015	January 1 2015
				Restated - note 5
ASSETS				
Current				
Cash		**$ 925,151**	$ 498,324	$ 14,997
Sales tax receivables		**14,207**	4,894	8,131
Prepaid expenses		**4,083**	2,972	-
Discontinued operations	5	**-**	4,501	-
		943,441	510,691	23,128
Investment in Tortuga Resources Inc.	6	**1**	1	232,000
Discontinued operations	5	**-**	-	83
		$ 943,442	$ 510,692	$ 255,211
LIABILITIES				
Current				
Accounts payable and accrued liabilities	7,12	**$ 75,672**	$ 108,943	$ 308,814
Loans from related parties	12	**100,000**	105,000	162,000
Discontinued operations	5	**-**	-	453,812
		175,672	213,943	924,626
EQUITY				
Capital stock	8	**17,103,583**	16,397,241	16,397,241
Contributed surplus		**3,336,326**	2,912,878	2,829,995
Warrant reserve	9	**506,857**	-	82,883
Deficit		**(20,178,996)**	(19,013,370)	(20,004,125)
Accumulated other comprehensive income		**-**	-	24,591
		767,770	296,749	(669,415)
		$ 943,442	$ 510,692	$ 255,211

Nature of operations and going concern (note 1)
Subsequent event (note 19)

See accompanying notes.

PANCONTINENTAL GOLD CORPORATION
(formerly, Pancontinental Uranium Corporation)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, expressed in Canadian dollars)

	Notes	Three months ended September 30 2016	Three months ended September 30 2015	Nine months ended September 30 2016	Nine months ended September 30 2015
			Restated - note 5		*Restated - note 5*
Revenue					
Gain on debt settlement		**$ -**	$ -	**$ 38,520**	$ -
Expenses					
Corporate and administrative	10,12	**103,501**	61,065	**224,999**	183,547
Exploration and evaluation	11	**414,421**	-	**511,957**	-
Share-based payments	8,12	**466,618**	-	**466,618**	-
Foreign exchange loss (gain)		**266**	(770)	**572**	51
Interest expense		**-**	-	**-**	186
		984,806	60,295	**1,204,146**	183,784
Net loss from continuing operations		**(984,806)**	(60,295)	**(1,165,626)**	(183,784)
Income on discontinued operations	5	**-**	556,614	**-**	548,645
Net income (loss)		**$ (984,806)**	$ 496,319	**$ (1,165,626)**	$ 364,861
Income (loss) per share - Basic and diluted	14				
Continued operations		**$ (0.011)**	$ (0.001)	**$ (0.014)**	$ (0.002)
Discontinued operations		**$ 0.000**	$ 0.007	**$ 0.000**	$ 0.007
Weighted average number of common shares outstanding - Basic and diluted		**86,619,783**	82,538,104	**84,443,520**	82,538,104

See accompanying notes.

PANCONTINENTAL GOLD CORPORATION
(formerly, Pancontinental Uranium Corporation)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
		Restated - note 5		*Restated - note 5*
Net income (loss)	**$ (984,806)**	$ 496,319	**$ (1,165,626)**	$ 364,861
Other comprehensive income (loss), net of taxes				
Items to be reclassified to profit or loss:				
Foreign currency translation adjustment				
Continuing operations	**-**	-	**-**	(11,240)
Discontinued operations	**-**	42,421	**-**	42,421
Comprehensive income (loss)	**$ (984,806)**	$ 538,740	**$ (1,165,626)**	$ 396,042

See accompanying notes.

PANCONTINENTAL GOLD CORPORATION
(formerly, Pancontinental Uranium Corporation)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited, expressed in Canadian dollars)

	Notes	Capital stock	Contributed surplus	Warrant reserve	Deficit	Accumulated other comprehensive income (loss)	Total
					Restated - note 5		
Balance, January 1, 2015		$ 16,397,241	$ 2,829,995	$ 82,883	$ (20,004,125)	$ 24,591	$ (669,415)
Warrants expired	9	-	82,883	(82,883)	-	-	-
Net income for the period		-	-	-	364,861	-	364,861
Other comprehensive income		-	-	-	-	(11,240)	(11,240)
Balance, September 30, 2015		16,397,241	2,912,878	-	(19,639,264)	13,351	(315,794)
Net income for the period		-	-	-	625,894	-	625,894
Other comprehensive income		-	-	-	-	(13,351)	(13,351)
Balance, December 31, 2015		16,397,241	2,912,878	-	(19,013,370)	-	296,749
Shares issued for debt	8	4,280	-	-	-	-	4,280
Stock options exercised	8,12	123,170	(43,170)	-	-	-	80,000
Shares issued for mineral property	8,11	120,000	-	-	-	-	120,000
Units issued by private placement	8,12	458,892	-	506,857	-	-	965,749
Share-based payments	8,12	-	466,618	-	-	-	466,618
Net loss for the period		-	-	-	(1,165,626)	-	(1,165,626)
Balance, September 30, 2016		**$ 17,103,583**	**$ 3,336,326**	**$ 506,857**	**$ (20,178,996)**	**$ -**	**$ 767,770**

See accompanying notes.

PANCONTINENTAL GOLD CORPORATION
(formerly, Pancontinental Uranium Corporation)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, expressed in Canadian dollars)

		Three months ended September 30		Nine months ended September 30	
	Notes	**2016**	2015	**2016**	2015
			Restated - note 5		*Restated - note 5*
Operating activities					
Net loss from continuing operations		**$ (984,806)**	$ (60,295)	**$ (1,165,626)**	$ (183,784)
Adjustments to reconcile loss to net cash used in operating activities:					
Share-based payments		**466,618**	-	**466,618**	-
Gain on debt settlement		**-**	-	**(38,520)**	-
		(518,188)	(60,295)	**(737,528)**	(183,784)
Changes in non-cash working capital items:					
Sales tax receivable		**(4,936)**	2,028	**(9,313)**	146
Prepaid expenses		**6,919**	4,690	**(1,111)**	(4,990)
Accounts payable and accrued liabilities		**44,363**	34,238	**5,249**	15,998
Cash used in continuing operations		**(471,842)**	(19,339)	**(742,703)**	(172,630)
Cash from (used in) discontinued operations	5	**-**	(11,597)	**4,501**	155,840
		(471,842)	(30,936)	**(738,202)**	(16,790)
Financing activities					
Loans from related parties	12	**-**	14,674	**(5,000)**	14,674
Shares issued for trade payables	8	**-**	-	**4,280**	-
Stock options exercised	8,12	**80,000**	-	**80,000**	-
Shares issued for mineral property	8,11	**120,000**	-	**120,000**	-
Units issued by private placement	8,12	**1,001,300**	-	**1,001,300**	-
Share issuance costs	8	**(35,551)**	-	**(35,551)**	-
		1,165,749	14,674	**1,165,029**	14,674
Net change in cash		**693,907**	(16,262)	**426,827**	(2,116)
Cash, beginning of period		**231,244**	29,143	**498,324**	14,997
Cash, end of period		**$ 925,151**	$ 12,881	**$ 925,151**	$ 12,881

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 11, 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 obtaining 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 assurances 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 condensed interim 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 September 30, 2016, the Company has an accumulated deficit of $20,178,996, working capital of $767,769 and has incurred losses of $1,165,626 for the current nine month period.

2. STATEMENT OF COMPLIANCE AND 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").

Basis of presentation and principles of consolidation

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company. The functional currency of the Company's United States subsidiary is the United States dollar and the Australian dollar for its Australian subsidiary.

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

These financial statements have been prepared using the historical cost basis, except for the following assets and liabilities which are stated at their fair value: financial instruments classified as fair value through profit and loss; and, as available-for-sale. Non-current assets are stated at the lower of carrying amount and fair value less costs of disposal.

The Company's accounting policies, as described in Note 3, Significant Accounting Policies, of the Company's audited annual consolidated financial statements for the year ended December 31, 2015, including the subsequent change in its accounting policy for exploration and evaluation expenditures, as further described in Note 5, have been applied consistently to all periods presented in these condensed interim consolidated financial statements, unless otherwise noted. These 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 2015 annual consolidated financial statements. These interim financial statements are not necessarily indicative of the results that may be anticipated for the entire year.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation, a company domiciled in the United States, Panconoz Pty Ltd., an Australian company; dissolved in 2016 and, Maya Gold Corporation S.A. de C.V., an inactive Honduras company: and, the Company's equity accounted investment in Crosscontinental Uranium Corporation ("Crosscontinental"), dissolved in 2015 and is included in the comparative period's discontinued operations. All significant inter-company transactions and balances have been eliminated upon consolidation.

3. SIGNIFICANT 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 about future events they consider reasonable and realistic. These estimates and judgements are reviewed regularly and are based on historical experience, future expectations and economic conditions and other factors, which may result in changes in the reported amounts of assets, liabilities, equity and earnings. By their nature, estimates and judgements are subject to measurement uncertainty and actual results could vary from the estimates.

Significant estimates and judgements relate to the: determination of the functional currency for the Company and its subsidiaries; measurement of share-based payments and warrant fair value; establishment of provisions and quantifying contingencies; and, assessment of the Company's investment in Tortuga Resources Inc..

4. FUTURE CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following standard has been issued and is effective for annual periods beginning on or after January 1, 2018, with early application permitted:

IFRS 9 – Financial Instruments
IFRS 9 will replace the current standard, IAS 39 Financial Instruments: Recognition and Measurement. The new standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. 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 on the financial assets. Most of the requirements of IAS 39 for

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods of IAS 39. The most significant improvements are expected to be of particular interest to non-financial institutions. The Company is evaluating the impact of this standard on its financial performance, position and financial statements.

5. CHANGE IN ACCOUNTING POLICY AND DISCONTINUED OPERATIONS

Mineral properties – Exploration and evaluation expenditures

During the period ended September 30, 2016, the Company changed its accounting policy for exploration and evaluation expenditures to provide information that is more representative of its activities. Previously, the Company deferred (capitalized) these expenditures, including acquisition costs, until such time the 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. The new policy for exploration and evaluation expenditures was applied retrospectively and is as follow:

Exploration and evaluation expenditure 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.

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 Pty. Ltd., dissolved in 2016 and is further described below; and, Crosscontinental, which was dissolved in 2015.

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 November 26, 2015 the Company completed the sale of its entire interest in the Joint Venture to Essential Mining Resources Pty Ltd. ("EMR"). Net proceeds received from the sale were $1,181,111 and the Company retained a gross overriding royalty of one percent (1%) on sales of production from 100% of the property. Impairment charges of $1,205,520, were recognized in the third and fourth quarters of 2015. In accordance with the terms of the purchase and sale agreement, in March 2015, EMR paid the Company a deposit of $436,500 and the Company, in turn, paid Crossland AUD $164,109 in full settlement of accrued payables of AUD $328,128, resulting in a gain on debt settlement of $144,714, which was recognized in the third quarter of 2015.

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

CHANGE IN ACCOUNTING POLICY AND DISCONTINUED OPERATIONS (continued)

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	Reclass of discontinued operations	As restated
Mineral properties	$ 2,375,000	$ (2,375,000)	$ -	$ -
Investment in equity-accounted investee	83	-	(83)	-
Discontinued operations	-	-	83	83
Total assets	2,630,211	(2,375,000)	-	255,211
Accounts payable and accrued liabilities	762,626	-	(453,812)	308,814
Discontinued operations	-	-	453,812	453,812
Deficit	(17,548,422)	(2,455,703)	-	(20,004,125)
Accumulated other comprehensive income (loss)	(56,112)	80,703	-	24,591
Total liabilities and shareholder's equity	2,630,211	(2,375,000)	-	255,211

The consolidated financial statement impact, as at September 30, 2015, is as follows:

Consolidated Statements of Financial Position

	As previously reported	Effect of change in accounting policy	Reclass of discontinued operations	As restated
Mineral properties	$ 799,000	$ -	$ (799,000)	$ -
Discontinued operations	-	(799,000)	799,000	-
Total assets	1,045,616	(799,000)	-	246,616
Accounts payable and accrued liabilities	385,736	-	(60,924)	324,812
Discontinued operations	-	-	60,924	60,924
Deficit	(18,801,982)	(837,282)	-	(19,639,264)
Accumulated other comprehensive income (loss)	(24,931)	38,282	-	13,351
Total liabilities and shareholder's equity	1,045,616	(799,000)	-	246,616

CHANGE IN ACCOUNTING POLICY AND DISCONTINUED OPERATIONS (continued)

Consolidated Statements of Operations and Comprehensive Income (Loss)

	As previously reported	Effect of change in accounting policy	Reclass of discontinued operations	As restated
Impairment of mineral properties	$ 1,203,610	$ -	$ (1,203,610)	$ -
Foreign exchange loss	13,033	-	(12,982)	51
Gain on debt settlement	(144,714)	-	144,714	-
Interest expense	(1,999)	-	2,185	186
Loss from continuing operations	(1,253,477)	-	1,069,693	(183,784)
Loss on discontinued operations	(83)	1,618,421	(1,069,693)	548,645
Loss for the period	(1,253,560)	1,618,421	-	364,861
Foreign currency translation adjustment				
Continued operations	31,181	-	(42,421)	(11,240)
Discontinued operations	-	-	42,421	42,421
Total comprehensive loss	(1,222,379)	-	-	396,042
Basic and diluted loss per share				
Continued operations	(0.015)	0.000	0.013	(0.002)
Discontinued operations	0.000	0.020	(0.013)	0.007

Consolidated Statements of Cash Flows

	As previously reported	Effect of change in accounting policy	Reclass of discontinued operations	As restated
Net loss for the period	$ (1,253,560)	$ -	$ 1,069,776	$ (183,784)
Impairment of mineral properties	1,203,610	-	(1,203,610)	-
Gain on debt settlement	(144,714)	-	144,714	-
Share of equity-accounted investee loss	83	-	(83)	-
Changes in non-cash working capital items	129,421	-	(118,267)	11,154
Cash used in continued operations	(65,160)	-	(107,470)	(172,630)
Cash used in discontinued operations	-	48,370	107,470	155,840
Cash flows from (used in) operating activities	(65,160)	48,370	-	(16,790)
Cash flows from investing activities	48,370	(48,370)	-	-

CHANGE IN ACCOUNTING POLICY AND DISCONTINUED OPERATIONS (continued)

Consolidated Statements of Changes in Equity

	As previously reported	Effect of change in accounting policy	Reclass of discontinued operations	As restated
Deficit	$ (18,801,982)	$ (837,282)	$ -	$ (19,639,264)
Accumulated other comprehensive income (loss)	(24,931)	38,282	-	13,351
Equity	483,206	(799,000)	-	(315,794)

6. INVESTMENT IN TORTUGA RESOURCES INC.

	September 30 2016	December 31 2015	January 1 2015
Balance, beginning of period	**$ 1**	$ 232,000	$ 220,760
Unrealized loss on foreign exchange translation	**-**	(11,240)	11,240
Impairment of investment	**-**	(220,759)	-
	$ 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, investee corporate transactions and other related factors, such as, industry developments and government regulations.

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 the investment.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30 2016	December 31 2015	January 1 2015
Trade payables and accrued liabilities (note 8)	**$ 73,977**	$ 78,159	$ 230,785
Due to related parties (note 12)	**1,695**	30,784	78,029
	$ 75,672	$ 108,943	$ 308,814

8. CAPITAL STOCK

Authorized

Unlimited common shares
Unlimited preferred shares

Issued

	Number	Amount
Balance, January 1, 2015 and December 31, 2015	82,538,104	$ 16,397,241
Shares issued for debt (i)	856,000	4,280
Stock options exercised (ii)	1,600,000	123,170
Shares issued for mineral property (iii)	2,000,000	120,000
Shares issued by private placement (iv)	12,516,250	516,155
Share issuance costs (iv)	-	(35,551)
Share issuance costs - broker warrants (iv)	-	(21,712)
Balance, September 30, 2016	**99,510,354**	**$ 17,103,583**

(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.

(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").

(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 $485,145 using the Black-Scholes pricing model. 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 finder warrants was estimated at $21,712 using the Black-Scholes pricing model.

CAPITAL STOCK (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 not to exceed ten years. The term, exercise price and vesting conditions of the options are fixed 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
Expired/Cancelled	(200,000)	0.20
Balance, December 31, 2015	4,250,000	$0.06
Granted (i)	4,300,000	0.12
Exercised (ii)	(1,600,000)	0.05
Balance, September 30, 2016	**6,950,000**	**$0.10**

(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.

(ii) On August 11, 2016, 1,600,000 stock options were exercised. These options were originally granted on June 11, 2014.

Fair value of the options issued on September 21, 2016 were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2016
Dividend yield	**Nil**
Expected volatility (based on Company historical trends)	**222%**
Risk free rate of return	**0.71%**
Expected life	**5 years**
Share price	**$0.11**

During the nine month period ended September 30, 2016, the Company recognized share-based compensation expense of $466,618 (2015 - $nil).

CAPITAL STOCK (continued)

The following summarizes information on the outstanding stock options:

Expiry date	Number	Exercise Price	Exercisable	Weighted average remaining contractual life (years)
December 13, 2016	100,000	$0.10	100,000	0.20
February 23, 2017	300,000	0.10	300,000	0.39
June 26, 2018	200,000	0.10	200,000	1.73
November 18, 2018	150,000	0.10	150,000	2.13
June 11, 2019	1,900,000	0.05	1,900,000	2.69
September 21, 2021	4,300,000	0.12	4,300,000	4.97
	6,950,000	$0.06	6,950,000	3.93

9. WARRANTS

	Number	Weighted average exercise price	Fair value
Balance, January 1, 2015	2,189,607	$0.12	$ 82,883
Warrants expired	(2,189,607)	0.12	(82,883)
Balance, December 31, 2015	-	$0.00	$ -
Unit warrants issued (note 8 (iv))	12,516,250	0.12	485,145
Finder warrants issued (note 8 (iv))	210,000	0.12	21,712
Balance, September 30, 2016	**12,726,250**	**$0.12**	**$ 506,857**

Fair value of the warrants issued on September 21, 2016 were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2016
Dividend yield	**Nil**
Expected volatility (based on Company historical trends)	**310%**
Risk free rate of return	**0.57%**
Expected life	**1.5 years**
Share price	**$0.11**

CAPITAL STOCK (continued)

The following summarizes information on the outstanding stock options:

Expiry Date	Number	Weighted average exercise price	Weighted average remaining contractual life (years)	Fair value
March 21, 2018	12,726,250	$0.12	1.47	$ 506,857

10. CORPORATE AND ADMINISTRATIVE

	Three months ended September 30 **2016**	2015	Nine months ended September 30 **2016**	2015
Consulting	**$ 5,846**	$ -	**$ 5,846**	$ -
Filing and transfer agent fees	**9,518**	3,025	**22,939**	17,095
Management fees (notes 12,13)	**25,500**	21,000	**76,500**	63,000
Office	**5,482**	3,850	**12,748**	11,693
Professional fees	**50,186**	15,545	**72,688**	28,665
Rent	**3,072**	1,500	**6,072**	4,500
Salaries and benefits (note 12, 13)	**-**	15,000	**-**	47,326
Shareholder relations and promotion	**3,684**	1,145	**19,584**	11,268
Travel	**213**	-	**8,622**	-
	$ 103,501	$ 61,065	**$ 224,999**	$ 183,547

11. EXPLORATION AND EVALUATION

	Three months ended September 30 **2016**	2015	Nine months ended September 30 **2016**	2015
Acquisition costs	**$ 190,000**	$ -	**$ 220,000**	$ -
Property costs	**157,672**	-	**225,208**	-
Consulting	**53,741**	-	**53,741**	-
Reports	**6,495**	-	**6,495**	-
Site costs	**3,439**	-	**3,439**	-
Travel/Transportation	**3,074**	-	**3,074**	-
	$ 414,421	$ -	**$ 511,957**	$ -

EXPLORATION AND EVALAUTION (continued)

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 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; and, 1,000,000 common shares in the share capital of the Company - and, (2) to Appalachian, 1,000,000 common shares in the share capital of the Company. As part of acquiring the underlying property leases, the Company expects to pay approximately USD $180,000 to settle property arrears, of which approximately USD $166,000 has been paid.

12. RELATED PARTY TRANSACTIONS AND BALANCES

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Management fees (i)	**$ 25,500**	$ 21,000	**$ 76,500**	$ 63,000
Salaries (ii)	**-**	15,000	**-**	45,000
Share-based payments (iii)	**423,212**	-	**423,212**	-
	$ 448,712	$ 36,000	**$ 499,712**	$ 108,000

(i) Management fees were paid or became payable to a company controlled by the Company's President/Chief Executive Officer and a company controlled by an associate of the Chief Financial Officer.

(ii) Salaries were paid or became payable to the President/Chief Executive Officer.

(iii) During 2016, the Company's President/Chief Executive Officer was paid $27,664 in settlement of prior year accrued salaries.

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

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

(vi) On September 21, 2016, the Company issued 3,900,000 stock options to directors and officers.

(vii) Loans from related parties of $100,000 (December 31, 2015 - $105,000) consist of cash advances provided by Company directors. These loans are non-interest bearing, unsecured and due on demand.

Included in accounts payable and accrued liabilities is $1,695 (December 31, 2015 - $30,784) payable to directors/officers or companies controlled by or associated with directors/officers.

13. KEY MANAGEMENT COMPENSATION

Compensation of key management (directors) of the Company for the nine month period ended September 30, 2016 consisted of short term compensation of $13,500 (2015 - $45,000). Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company.

14. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding for the period. For the purpose 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. SEGMENTED INFORAMTION

At September 30, 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	**September 30 2016**	December 31 2015	January 1 2015
Current assets:			
Canada	**$ 911,015**	$ 506,190	$ 23,128
United States	**32,426**	-	-
	$ 943,441	$ 506,190	$ 23,128
Long term assets:			
Canada	**$ 1**	$ 1	$ 232,000

16. 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 resource properties for the benefit of its shareholders.

As at September 30, 2016, the Company had working capital of $767,770 (December 31, 2015 – $296,748).

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, when necessary, raises capital through the issuance of equity instruments, comprised of common shares, warrants and incentive stock options. The Company relies on the expertise of the Company's management to sustain future development and has not established quantitative targets for its capital structure, however it reviews its capital management methods and requirements on an ongoing basis and makes adjustments, accordingly.

CAPITAL MANAGEMENT (continued)

The Company's management of its capital has not change from the prior year. The Company is not subject to any externally imposed capital requirements.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value
The carrying value of cash, 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 requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels for disclosure purposes, as described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. These measurements are a matter of judgement and may be subjective and involve uncertainties.

The methods and assumptions used to develop fair value measurements are: Level one - includes quoted prices (unadjusted) in active markets for identical assets or liabilities; Level two - includes inputs that are observable other than quoted prices included in level one; Level three - includes inputs that are not based on observable data.

	September 30 2016	December 31 2015	January 1 2015
Level 1:			
Cash	**$ 925,151**	$ 498,324	$ 14,997

Risk Management
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. The Company's risk is minimal, since the majority of its cash is on deposit with a Canadian chartered bank.

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 16.

The Company has no income from operations or a regular source of cash flow and is dependent on its existing working capital and equity funding to support its exploration and corporate activities. Should the need for additional

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 due within the current operating period.

Currency Risk
The Company operates in Canada and the United States, thus exposing the Company to fluctuations in the United States dollar exchange rate. The Company has potential future financial commitments 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.

	USD
Cash	37,447
Prepaid expenses	393
Accounts payable and accrued liabilities	17,559

A 10% change in the United States dollar will impact profitability by approximately $2,000.

Interest Rate Risk
The Company is not exposed to any significant interest rate. When applicable, excess cash is invested in financial instruments that provide safety and flexibility for early redemption.

18. OTHER RISKS

Price Risk
The ability of the Company to finance the acquisition, exploration and development of its mineral properties and the future profitability of the Company is strongly related to: the market price of the primary minerals identified in its mineral properties; market price of the Company's equities; and, general commodity and investor sentiment. Mineral and equity prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in either the prices of the identified primary minerals, the Company's issued equities or investor sentiment could have a negative impact on the Company's ability to raise additional capital. Management monitors the commodity and stock markets to determine the applicable financing strategy to be taken, when needed.

19. SUBSEQUENT EVENT

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