

PANCONTINENTAL GOLD CORPORATION
(formerly, Pancontinental Uranium Corporation)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

(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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited, expressed in Canadian dollars)

	Notes	March 31 2017	December 31 2016
ASSETS			
Current			
Cash		\$ 95,109	\$ 630,676
Royalty revenue receivable	10	51,000	48,500
Sales tax receivable		11,970	5,087
Prepaid expenses		35,051	21,721
		193,130	705,984
Investment in Tortuga Resources Inc.	6	1	1
		\$ 193,131	\$ 705,985
LIABILITIES			
Current			
Accounts payable and accrued liabilities	7,13	\$ 155,865	\$ 181,618
Loans from related parties	13	100,000	100,000
		255,865	281,618
EQUITY			
Capital stock	8	17,107,216	17,107,216
Contributed surplus		3,481,833	3,454,783
Warrants	9	503,224	503,224
Deficit		(21,155,007)	(20,640,856)
		(62,734)	424,367
		\$ 193,131	\$ 705,985

Nature of operations and going concern (note 1)

See accompanying notes.

PANCONTINENTAL GOLD CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(unaudited, expressed in Canadian dollars)

		Three months ended	
	Notes	2017	March 31 2016
Revenue			
Gain on debt settlement		\$ -	\$ 38,520
Expenses			
Corporate and administrative	11,13	141,058	44,480
Exploration and evaluation	12	349,176	-
Share-based payments	8,13	27,050	-
Foreign exchange loss (gain)		(3,133)	118
		514,151	44,598
Net loss and comprehensive loss		\$ (514,151)	\$ (6,078)
Loss per share - Basic and diluted	15	\$ (0.005)	\$ (0.000)
Weighted average number of common shares outstanding - Basic and diluted		99,510,354	83,279,971

See accompanying notes.

PANCONTINENTAL GOLD CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited, expressed in Canadian dollars)

	Notes	Capital stock	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2015		\$ 16,397,241	\$ 2,912,878	\$ -	\$ (19,013,370)	\$ 296,749
Shares issued for debt	8	4,280	-	-	-	4,280
Net loss for the period		-	-	-	(6,078)	(6,078)
Balance, March 31, 2016		16,401,521	2,912,878	-	(19,019,448)	294,951
Units issued by private placement	8	462,525	-	503,224	-	965,749
Stock options exercised	8	123,170	(43,170)	-	-	80,000
Shares issued for mineral property	8	120,000	-	-	-	120,000
Share-based payments	8	-	585,075	-	-	585,075
Net loss for the period		-	-	-	(1,621,408)	(1,621,408)
Balance, December 31, 2016		17,107,216	3,454,783	503,224	(20,640,856)	424,367
Share-based payments	8,13	-	27,050	-	-	27,050
Net loss for the period		-	-	-	(514,151)	(514,151)
Balance, March 31, 2017		\$ 17,107,216	\$ 3,481,833	\$ 503,224	\$ (21,155,007)	\$ (62,734)

See accompanying notes.

PANCONTINENTAL GOLD CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, expressed in Canadian dollars)

	Notes	Three months ended	
		2017	March 31 2016
Operating activities			
Net loss for the period		\$ (514,151)	\$ (6,078)
Adjustments to reconcile loss to net cash used in operating activities:			
Share-based payments		27,050	-
Gain on debt settlement		-	(38,520)
Unrealized foreign exchange		(7,030)	-
		(494,131)	(44,598)
Net changes in non-cash working capital items:			
Sales tax receivable		(6,883)	(1,653)
Prepaid expenses		(13,428)	(12,770)
Accounts payable and accrued liabilities		(13,062)	(20,274)
Cash used in continuing operations		(527,504)	(79,295)
Cash from (used in) discontinued operation	10	-	4,501
		(527,504)	(74,794)
Financing activities			
Related party loan repayments		-	(5,000)
		-	(5,000)
Net change in cash		(527,504)	(79,794)
Cash, beginning of period		630,676	498,324
Effect of exchange rate changes on cash		(8,063)	-
Cash, end of period		\$ 95,109	\$ 418,530

Supplemental disclosure

Shares issued on settlement of debt	8	\$	-	\$	4,280
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See accompanying notes.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

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 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 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 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 March 31, 2017, the Company has an accumulated deficit of \$21,155,007 (December 31, 2016 - \$20,640,856), working capital deficiency of \$62,735 (December 31, 2016 – surplus \$424,366) and has incurred losses for the current three month period of \$514,151 (March 31, 2016 - \$6,078).

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 Canadian dollar.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

These consolidated financial statements are 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.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Palmetto Mining Corporation, a United States company incorporated on June 22, 2016; Panconoz Pty Ltd., an Australian company deregistered on September 14, 2016 and included as a discontinued operation; and, Maya Gold Corporation S.A. de C.V., an inactive Honduras company. All significant inter-company transactions and balances have been eliminated upon consolidation.

The Company's accounting policies, as described in Note 4, Significant Accounting Policies, of the Company's audited annual consolidated financial statements for the year ended December 31, 2016 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 2016 annual consolidated financial statements. These interim financial statements are not necessarily indicative of the results that may be anticipated for the entire year.

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. Despite regular reviews of these estimates and judgements, based in particular on historical experience and future expectations, facts and circumstances 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: measurement of share-based payments and warrant fair value; impairment of investments; measurement of deferred tax assets and liabilities; establishment of provisions and quantifying contingencies; determination of the functional currency for the Company and its subsidiaries; and, choice of policy related to exploration and evaluation.

4. FUTURE CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 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 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. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 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.

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

5. CAPITAL MANAGEMENT

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

As at March 31, 2017, the Company had a working capital deficit of \$62,735 (December 31, 2016 – surplus \$424,366).

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 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. There were no changes in the Company's management of its capital during the quarter ended March 31, 2017. The Company is not subject to any externally imposed capital requirements.

6. INVESTMENT IN TORTUGA RESOURCES INC.

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.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 2017	December 31 2016
Trade payables and accrued liabilities (note 8)	\$ 122,380	\$ 169,221
Due to related parties (note 12)	33,485	12,397
	\$ 155,865	\$ 181,618

8. CAPITAL STOCK

Authorized

Unlimited common shares
Unlimited preferred shares

Issued

	Number	Amount
Balance, December 31, 2015	82,538,104	\$ 16,397,241
Shares issued for debt (i)	856,000	4,280
Shares issued by exercise of stock options (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	1,001,300
Fair value attributed to warrants (iv)	-	(481,512)
Share issuance costs (iv)	-	(35,551)
Share issuance costs - broker warrants (iv)	-	(21,712)
Balance, December 31, 2016 and March 31, 2017	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 of the options was \$43,170 and 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 the 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

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

CAPITAL STOCK (continued)

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

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, December 31, 2015	4,250,000	\$0.06
Granted (i)	5,500,000	\$0.12
Exercised (ii)	(1,600,000)	\$0.05
Expired/Cancelled	(100,000)	0.10
Balance, December 31, 2016	8,050,000	\$0.10
Granted (iii)	500,000	0.12
Expired/Cancelled	(300,000)	0.10
Balance, March 31, 2017	8,250,000	\$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.

On November 1, 2016, the Company granted 1,200,000 stock options to an officer and consultants. 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.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

CAPITAL STOCK (continued)

- (ii) On August 11, 2016, 1,600,000 stock options were exercised. These options were originally granted on June 11, 2014. The share price on the date of exercise was \$0.05.
- (iii) On January 6, 2017, the Company granted 100,000 stock options to a consultant. These options vested immediately and were issued with an exercise price of \$0.12 and have a five year term, expiring on January 6, 2022.

On March 16, 2017, the Company granted 400,000 stock options to a director/officer. These options vested immediately and were issued with an exercise price of \$0.12 and have a five year term, expiring on March 16, 2022.

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

	2017	2016
Share-based payments	\$ 27,050	\$ 585,075
Dividend yield	Nil	Nil
Expected volatility (based on historical trends of the Company)	226%	223%
Risk free rate of return	1.22%	0.71%
Expected life	5 years	5 years
Share price	\$0.055	\$0.110

The following summarizes information on the outstanding stock options:

Expiry date	Number	Exercise Price	Exercisable	Weighted average remaining contractual life (years)
June 26, 2018	200,000	\$0.10	200,000	1.24
November 18, 2018	150,000	0.10	150,000	1.63
June 11, 2019	1,900,000	0.05	1,900,000	2.19
September 21, 2021	4,300,000	0.12	4,300,000	4.47
November 1, 2021	1,200,000	0.12	1,200,000	4.59
January 6, 2022	100,000	0.12	100,000	4.77
March 16, 2022	400,000	0.12	400,000	4.96
	8,250,000	\$0.10	8,250,000	3.86

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

9. WARRANTS

	Number	Weighted average exercise price	Fair value
Balance, December 31, 2015	-	\$0.00	\$ -
Unit warrants issued (note 8 (iv))	12,516,250	0.12	481,512
Finder warrants issued (note 8 (iv))	210,000	0.12	21,712
Balance, December 31, 2016 and March 31, 2017	12,726,250	\$0.12	\$ 503,224

Fair value of the warrants 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)	295%
Risk free rate of return	0.57%
Expected life	1.5 years
Share price	\$0.11

The following summarizes information on the outstanding warrants:

Expiry Date	Number	Weighted average exercise price	Weighted average remaining contractual life (years)	Fair value
March 21, 2018	12,726,250	\$0.12	0.97	\$ 503,224

10. GROSS OVERRIDING ROYALTY ("GOR") AND DISCONTINUED OPERATION

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

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

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

ROYALTY REVENUE AND DISCONTINUED OPERATION (continued)

are subject to adjustment for reductions in the size of the JV Properties. Payment of the advance royalty payable due on November 26, 2016 was received subsequent to the end of the three month period.

Discontinued operation

Discontinued operation is comprised of amounts related to the divestiture of the Company's interest in the Australian Joint Venture, which was held by its wholly-owned subsidiary, Panconoz. Panconoz was deregistered on September 14, 2016.

11. CORPORATE AND ADMINISTRATIVE

	Three months ended	
	March 31	
	2017	2016
Consulting	\$ 6,406	\$ -
Filing and transfer agent fees	3,397	4,292
Insurance	6,555	3,090
Management fees (notes 13,14)	70,729	25,500
Office	2,535	539
Professional fees	11,955	6,035
Rent (note 13)	2,692	1,500
Salaries and benefits	13,752	-
Shareholder relations and promotion	15,144	976
Travel	7,893	2,548
	<u>\$ 141,058</u>	<u>\$ 44,480</u>

12. EXPLORATION AND EVALUATION

	Three months ended	
	March 31	
	2017	2016
Property costs	\$ 52,315	\$ -
Assaying	44,412	-
Consulting/Contracting	52,629	-
Drilling	119,813	-
Equipment and supplies	24,724	-
Site costs	3,557	-
Travel/Transportation	15,874	-
Wages and benefits	35,852	-
	<u>\$ 349,176</u>	<u>\$ -</u>

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

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 (the “Jefferson Project”), 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 8) in the share capital of the Company - and, (2) to Appalachian, 1,000,000 common shares (issued – Note 8) in the share capital of the Company. As part of acquiring the underlying property leases the Company expected to pay approximately USD \$182,000 to settle lease arrears that existed at closing, of which approximately USD \$178,000 has been paid. The remaining amount to be paid represents arrears for a lease that is in the process of being confirmed.

The Jefferson Project consists of 14 property leases (approximately 1,508 acres), thirteen (13) of which have been confirmed by the landowners (lessees). The property leases range in expiration from 2019 to 2032. For the confirmed property leases (approximately 1,456 acres), the aggregate 2017 annual lease payments amount to USD \$128,825. For the one (1) unconfirmed property lease, the 2017 annual lease payment and lease arrears amount to USD \$14,000. Annual lease payments range between USD \$600 - \$25,000 per property.

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 (“ARP”) start in 2018 for certain property leases and annual payments range between USD \$900 - \$75,000 per property. ARPs are non-refundable and will be credited towards the Royalty payable from production.

13. RELATED PARTY TRANSACTIONS AND BALANCES

	Three months ended	
	March 31	
	2017	2016
Management fees (i)	\$ 70,729	\$ 25,500
Rent (ii)	1,192	-
Share-based payments (iii)	19,650	-
	\$ 91,571	\$ 25,500

- (i) Management fees were paid or became payable to a Company officer and to companies controlled by or associated with Company officers.
- (ii) Rent was paid or became payable to a Company controlled by a Company officer.
- (iii) Share-based compensation represents the fair value of 400,000 stock options granted to a director/officer.
- (iv) Loans from related parties of \$100,000 (December 31, 2016 - \$100,000) 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 \$33,485 (December 31, 2016 - \$12,397) payable to directors/officers or companies controlled by or associated with directors/officers.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

14. KEY MANAGEMENT COMPENSATION

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

	Three months ended	
	March 31	
	2017	2016
Short-term compensation	\$ 42,925	\$ 25,500
Stock-based compensation	19,650	-
	<u>\$ 62,575</u>	<u>\$ 25,500</u>

15. 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.

16. SEGMENTED INFORMATION

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.

	March 31	December 31
Assets	2017	2016
Current assets:		
Canada	\$ 145,254	\$ 627,338
United States	47,876	78,646
	<u>\$ 193,130</u>	<u>\$ 705,984</u>
Long term assets:		
Canada	\$ 1	\$ 1

17. 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 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.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

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.

	March 31 2017	December 31 2016
Level 1:		
Cash	\$ 95,109	\$ 630,676

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 primary risks the Company's financial instruments are exposed to are described below:

Credit Risk

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

Liquidity Risk

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

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

Foreign Currency Risk

The Company operates in Canada and the United States, thus exposing the Company to market risks from fluctuations in the United States dollar exchange rate. The Company has potential future financial commitments denominated in United States dollars (Note 12). 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.

PANCONTINENTAL GOLD CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2017

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	USD	AUD
Cash	\$ 22,516	\$ -
Royalty revenue receivable	-	50,000
Prepaid expenses	15,968	-
Accounts payable and accrued liabilities	51,865	-

A 10% change in the United States dollar will impact profitability by approximately \$1,800 and a 10% change in the Australian dollar will impact profitability by approximately \$5,100.

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.