

PAN GLOBAL



RESOURCES INC

FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

January 31, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pan Global Resources Inc.

We have audited the accompanying financial statements of Pan Global Resources Inc., which comprise the statements of financial position as at January 31, 2017 and 2016 and the statements of income (loss) and comprehensive income (loss), changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects, the financial position of Pan Global Resources Inc. as at January 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

May 30, 2017



PAN GLOBAL RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	January 31, 2017	January 31, 2016
ASSETS		
Current assets		
Cash (Note 3)	\$ 32,087	\$ 13,948
Receivables (Note 4)	4,844	20,861
Total current assets	36,931	34,809
TOTAL ASSETS	\$ 36,931	\$ 34,809
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 234,825	\$ 682,737
Total liabilities	234,825	682,737
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 7)	11,086,112	11,601,425
Subscriptions received in advance	18,000	-
Reserves (Note 7)	2,028,178	1,512,865
Deficit	(13,330,184)	(13,762,218)
Total shareholders' deficiency	(197,894)	(647,928)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ 36,931	\$ 34,809

Nature of operations and going concern (Note 1)

Subsequent event (Note 13)

These financial statements are authorized for issuance by the Board of Directors on May 26, 2017.

Approved on behalf of the Board of Directors

_____ *"Brian Kerzner"* Director

_____ *"Robert Baxter"* Director

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

PAN GLOBAL RESOURCES INC.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)

	Year Ended January 31,	
	2017	2016
Exploration expenditures (Note 5)	\$ 18,118	\$ 29,000
General and administrative expenses		
Accounting, tax and audit (Note 8)	24,000	32,925
Consulting and management fees (Note 8)	-	83,332
Office and rent	470	5,379
Professional fees (Note 8)	55,268	20,544
Regulatory and transfer agent	15,900	12,523
Stock based compensation (Note 7)	-	41,563
Travel	-	4,542
	95,638	200,808
Loss from operations	(113,756)	(229,808)
Foreign exchange gain (loss)	-	(5,483)
Gain from forgiveness of accounts payable and accrued liabilities (Note 6)	545,790	-
INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$ 432,034	\$ (235,291)
Gain (loss) per common share - basic and diluted	\$ 0.01	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	40,999,074	41,133,405

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

PAN GLOBAL RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year Ended January 31,	
	2017	2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Income (loss) for the year	\$ 432,034	\$ (235,291)
Items not affecting cash:		
Stock based compensation	-	41,563
Gain from forgiveness of accounts payable and accrued liabilities:	(545,790)	-
Changes in non-cash working capital items:		
Receivables	16,017	(1,558)
Accounts payable and accrued liabilities	97,878	160,148
Net cash provided by (used in) operating activities	139	(35,138)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Subscriptions received on private placement financing	18,000	-
Net cash provided by financing activities	18,000	-
Increase (decrease) in cash during the year	18,139	(35,138)
Cash, beginning of year	13,948	49,086
Cash, end of year	\$ 32,087	\$ 13,948

Supplemental Disclosure with Respect to Cash Flows (Note 10)

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

PAN GLOBAL RESOURCES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian dollars)

	Number of common shares	Share capital	Subscriptions received in advance	Reserves	Deficit	Total Deficiency
Balance at January 31, 2015	38,480,187	\$ 11,559,862	\$ -	\$ 1,512,865	\$ (13,526,927)	\$ (454,200)
Common shares issued on amended purchase agreement	4,156,328	41,563	-	-	-	41,563
Loss for the year	-	-	-	-	(235,291)	(235,291)
Balance at January 31, 2016	42,636,515	\$ 11,601,425	\$ -	\$ 1,512,865	\$ (13,762,218)	\$ (647,928)

	Number of common shares	Share capital	Subscriptions received in advance	Reserves	Deficit	Total Deficiency
Balance at January 31, 2016	42,636,515	\$ 11,601,425	\$ -	\$ 1,512,865	\$ (13,762,218)	\$ (647,928)
Funds received on private placement	-	-	18,000	-	-	18,000
Shares cancelled per agreement with former COO	(4,781,328)	(515,313)	-	515,313	-	-
Income for the year	-	-	-	-	432,034	432,034
Balance at January 31, 2017	37,855,187	\$ 11,086,112	\$ 18,000	\$ 2,028,178	\$ (13,330,184)	\$ (197,894)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company’s principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. On November 18, 2016, the Company entered into a Share Option Agreement to purchase 100% of the Spanish exploration company Minera Águila S.L. Minera Águila S.L. has applied for three exploration licenses in Central-Southern Spain comprising a total area of approximately 11,302 hectares.

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

These financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and develop profitable operations. These financial statements do not include any adjustments to amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. At January 31, 2017, the Company has not achieved profitable operations and has accumulated losses since inception. The Company will need to raise additional funds to further its exploration and development programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and measurement

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Foreign currency

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency. The functional currency was determined based on an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of income (loss) and comprehensive income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income (loss) and comprehensive income (loss).

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of income (loss) and comprehensive income (loss).

Available-for-sale ("AFS") - Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an AFS financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of income (loss) and comprehensive income (loss).

Impairment of financial assets

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in comprehensive income or loss are reclassified to profit or loss in the period. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Impairment of financial assets (cont'd...)

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or,
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were acquired. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income (loss) and comprehensive income (loss).

Other financial liabilities - This category comprises non-derivative liabilities, which are recognized at amortized cost.

The Company has classified its cash as FVTPL and its receivables as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Exploration and evaluation assets

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral properties pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are charged to operations as incurred. After a property is determined by management to be commercially feasible, exploration and development expenditures on the property will be capitalized. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

A mineral property acquired under an option agreement where payments are made at the sole discretion of the Company, is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset, or a cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of long-lived assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Decommissioning and restoration provision

Restoration, rehabilitation and environmental obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A restoration, rehabilitation or environmental obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding cost recognized by increasing the carrying amount of the related long-lived asset. The restoration, rehabilitation or environmental cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. As at January 31, 2017 and 2016, the Company has no known restoration, rehabilitation or environmental obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share capital and share purchase warrants

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Warrants with the right to acquire common shares in the Company are typically issued through the Company's equity financing activities. Where warrants are issued on a stand-alone basis, their fair values are measured on their issuance date using the Black-Scholes option pricing model and are recorded as both an increase to equity reserves and as a share issue cost. When warrants are attached to common shares issued by the Company as part of a share unit, the proceeds from the unit sale are bifurcated first to the common shares at their fair market value on the date of issuance. Any excess in the purchase price of the unit as a whole and the fair market value of the common shares issued on the date of unit sales is attributed to the value of warrants. This fair value is recorded as an increase to equity reserves. When share purchase warrants are exercised, the cash proceeds along with the amount previously recorded in equity reserves are recorded as share capital.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Share-based compensation

The Company grants stock options to directors, officers, employees and consultants to acquire common shares of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period using the graded vesting method. Consideration paid for the shares on the exercise of stock options is credited to share capital. Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of income (loss) and comprehensive income (loss). Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Critical accounting estimates and judgments

The preparation of financial statements in conformance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

a) Valuation of share-based compensation

Share-based compensation is determined using the Black-Scholes option pricing model based on the estimated fair values of all share-based awards at the date of grant and is expensed to the statement of income (loss) and comprehensive income (loss) over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

b) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

c) Recoverability of exploration and evaluation assets

The Company undertakes a review of the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and discounted net cash flows. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, commodity prices, foreign exchange rates, future operating and capital costs. An impairment loss is recognized when the carrying value of those assets is not recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Company's Chief Executive Officer ("CEO").

Accounting pronouncements not yet effective:

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The effective date for IFRS 9 is January 1, 2018. The Company is currently evaluating the impact that the final standard is expected to have on its consolidated financial statements.

IFRS 16 Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

3. CASH

Cash consists of cash deposits at banks, and cash held in trust relating to subscription receipts.

	January 31, 2017	January 31, 2016
Cash in bank	\$ 14,087	\$ 13,948
Cash held in trust	18,000	-
	\$ 32,087	\$ 13,948

4. RECEIVABLES

The Company's receivables arise from GST due from government taxation authorities.

	January 31, 2017	January 31, 2016
GST receivable	\$ 4,844	\$ 20,861

5. EXPLORATION AND EVALUATION ASSETS

The Company held mineral interests located in the Republic of Serbia, but has returned the licenses as the Company is not proceeding with any further exploration of the area.

On November 18, 2016 the Company entered into Share Option Agreement (the "Agreement") with Mr. Timothy Moody (the "Vendor") to purchase 100% of the Vendor's Spanish exploration company Minera Águila S.L. Minera Águila S.L. has applied for three exploration licenses in Central-Southern Spain comprising a total area of approximately 21,580 hectares.

The terms of the Agreement provide for the issuance of 4.7 million Company shares, and the payment of \$450,000 to the Vendor under the following conditions:

Issuance of Company shares to the Vendor

<u>Date</u>	<u>Number of Shares</u>	<u>Cumulative</u>
Upon the day that is six (6) months following receipt of final TSXV approval	2,200,000	2,200,000
Upon the day that is eighteen (18) months following receipt of final TSXV approval	2,500,000	4,700,000

Cash Payments to the Vendor:

<u>Date</u>	<u>Amount</u>	<u>Cumulative</u>
Upon the day that is six (6) months following receipt of final TSXV approval	\$50,000	\$50,000
Upon the day that is eighteen (18) months following receipt of final TSXV approval	\$150,000	\$200,000
Upon the day that is thirty six (36) months following receipt of final TSXV approval	\$250,000	\$450,000

Exploration Expenditures and Work Commitments

In addition to the cash and share payments detailed above, the Company will fund exploration expenditures of \$1,000,000 on the property over a period of three (3) years commencing on the date of closing of this transaction, of which not less than \$250,000 shall be completed notwithstanding any decision by the Company not to proceed with further exploration.

PAN GLOBAL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED JANUARY 31, 2017

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	January 31, 2017	January 31, 2016
Accounts payable	\$ 53,825	\$ 568,237
Accrued liabilities	181,000	114,500
	<u>\$ 234,825</u>	<u>\$ 682,737</u>

In order to assist the Company with moving forward, the former President and CEO agreed to forgive accounts payable and accrued liabilities due to him for management fees in the amount of \$374,994.

7. SHARE CAPITAL

Authorized Share Capital

Authorized share capital consists of:

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

Common Shares

On September 29, 2016, the Company returned 4,781,328 common shares to its Treasury pursuant to an agreement with former director and Chief Operating Officer Mr. Petr Palkovsky. Mr. Palkovsky agreed to surrender for cancellation 4,781,328 common shares of the Company which were issued to a company controlled by Mr. Palkovsky as partial consideration for Serbian and Bosnian exploration properties acquired by the Company from Mr. Palkovsky. The Company is not proceeding with any further exploration of the Serbian and Bosnian properties. The historical value of the common shares of \$515,313 was transferred from share capital to reserves.

During the year ended January 31, 2016, 4,146,328 common shares valued at \$41,563 were issued to Mr. Palkovsky pursuant to an amended purchase agreement for the Balkan properties. These shares are included in the common shares returned to Treasury on September 29, 2016.

PAN GLOBAL RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED JANUARY 31, 2017

7. SHARE CAPITAL (cont'd...)

Stock Options

The Company has adopted a stock option plan pursuant to the policies of the TSX-V that has been approved by the Company's shareholders. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. The Company's Board of Directors has the ability to set the vesting terms for any stock options granted.

The continuity of stock options for the year ended January 31, 2017 is as follows:

Expiry Date	Exercise Price	Outstanding			Expired	Outstanding	
		January 31, 2016	Granted	Exercised		January 31, 2017	Exercisable January 31, 2017
30-Nov-16	\$ 0.20	87,000	-	-	87,000	-	-
15-Apr-16	1.03	525,000	-	-	525,000	-	-
28-Mar-17	0.65	1,660,000	-	-	-	1,660,000	1,660,000
28-Mar-17	0.70	150,000	-	-	-	150,000	150,000
12-Sep-17	0.38	100,000	-	-	-	100,000	100,000
Total		2,522,000	-	-	612,000	1,910,000	1,910,000
Weighted average exercise price		\$ 0.71	\$ -	\$ -	\$ -	\$ 0.64	\$ 0.64

Share Purchase Warrants

There were no share purchase warrants outstanding at January 31, 2017 and 2016.

8. RELATED PARTY TRANSACTIONS

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

		Year Ended January 31,	
		2017	2016
Former President & CEO	Management fees	\$ -	\$ 83,332
Corporate Secretary	Legal fees	55,000	20,000
CFO	Accounting services	4,500	24,000
		\$ 59,500	\$ 127,332

Included in accounts payable and accrued liabilities is \$164,000 (2016 - \$479,494) owing to the related parties. As at January 31, 2017, \$Nil (2016 - \$374,994) was owing to the former President and CEO, \$100,000 (2016 - \$45,000) was owing to the Corporate Secretary and \$64,000 (2016 - \$59,500) was owing to the CFO.

9. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being the exploration and development of mineral properties. Substantially all of the Company's assets and expenditures are located and incurred in Canada.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The Company incurred a gain from forgiveness of accounts payable and accrued liabilities of \$545,790 during the year ended January 31, 2017.

11. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT

Financial Instruments

The Company classified its financial instruments as follows:

As at January 31, 2017	Financial Instruments at FVTPL	Loans and Receivables	Other Financial Liabilities
Cash	\$ 32,087	\$ -	\$ -
Receivables	-	4,844	-
Accounts payable and accrued liabilities	-	-	234,825
	\$ 32,087	\$ 4,844	\$ 234,825

Fair Value

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The carrying value of receivables, and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

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

As at January 31, 2017, the Company's financial instruments measured at fair value are as follows:

Financial Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 32,087	\$ -	\$ -	32,087

Risk and Capital Management

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. There was no change in the Company's approach to managing capital during the year ended January 31, 2017.

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit Risk

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

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on the issuance of shares and warrants to fund exploration programs and will require doing so again in the future.

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Currency Risk

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

12. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Income (loss) for the year	\$ 432,034	\$ (235,291)
Expected income tax (recovery)	\$ 112,000	\$ (61,000)
Change in statutory, foreign tax, foreign exchange rates and other	13,000	(1,000)
Permanent Difference	(44,000)	12,000
Change in unrecognized deductible temporary differences	(81,000)	50,000
Total income tax expense (recovery)	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	2017	2016
Deferred Tax Assets		
Exploration and evaluation assets	\$ 949,000	\$ 949,000
Share issue costs	1,000	14,000
Non-capital losses available for future periods	804,000	872,000
	\$ 1,754,000	\$ 1,835,000
Unrecognized deferred tax assets	\$ (1,754,000)	\$ (1,835,000)
Deferred tax assets	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 7,301,000	No expiry date	\$ 7,301,000	No expiry date
Share issue costs	3,000	2038	52,000	2037 to 2038
Non-capital losses available for future period	3,093,000	2027 to 2037	3,352,000	2027 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. EVENTS AFTER THE REPORTING DATE

- a) On March 6, 2017 the Company completed a non-brokered private placement and issued 21,230,000 units at a price of \$0.05 per unit for gross proceeds of \$1,061,500. Each unit consists of one common share and one share purchase warrant entitling the holder of each full warrant to purchase one common share of the Company at a price of \$0.10. The warrants expire on March 6, 2020. In connection with the private placement, the Company issued 1,000,200 units to finders. These finders' units have the same terms as the private placement units. As at January 31, 2017, the Company received \$18,000 in subscriptions in advance of the non-brokered private placement.
- b) On April 17, 2017, the Company granted 2,425,000 stock options to directors, officers and employees at an exercise price of \$0.10 per option with an expiry date of April 18, 2027.
- c) On May 6, 2017, the Company entered into a letter of intent with a private Spanish company (the "Vendor") to purchase a 100% interest in a mineral prospect in Spain. The Vendor has applied for exploration licenses in the provinces of Seville and Huelva to conduct evaluation and mineral exploration on a mineral prospect known as the "Escancena Property". To acquire an interest in the Escancena property, the Company is required to make a payment of \$350,000 to the Vendor and incur exploration expenditures totalling \$1,000,000 over a three-year period.