



# PAN GLOBAL

## *RESOURCES*

**FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars)

**Three and Six Months Ended July 31, 2015**

## NOTICE TO READER

The accompanying unaudited condensed interim financial statements of Pan Global Resources Inc. for the three and six months ended July 31, 2015 and 2014 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

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

	July 31, 2015	January 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (Note 3)	\$ 15,319	\$ 49,086
Receivables (Note 4)	19,613	19,303
<b>Total current assets</b>	<b>34,932</b>	<b>68,389</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 5)	-	-
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 34,932</b>	<b>\$ 68,389</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 626,826	\$ 522,589
<b>Total liabilities</b>	<b>626,826</b>	<b>522,589</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 7)	11,559,862	11,559,862
Reserves (Note 7)	1,512,865	1,512,865
Deficit	(13,664,621)	(13,526,927)
<b>Total shareholders' equity (deficiency)</b>	<b>(591,894)</b>	<b>(454,200)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>\$ 34,932</b>	<b>\$ 68,389</b>

**Nature of operations and going concern (Note 1)**

These financial statements are authorized for issuance by the Board of Directors on September 29, 2015.

**Approved on behalf of the Board of Directors**

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*"Brian Kerzner"* Director

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*"Robert Baxter"* Director

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

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

	<b>Three Months Ended July 31,</b>		<b>Six Months Ended July 31,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Exploration expenditures (Note 5)</b>	\$ -	\$ 147,144	\$ 20,352	\$ 318,431
<b>General and administrative expenses</b>				
Accounting, tax and audit (Note 8)	6,000	11,500	12,000	23,100
Consulting and management fees	-	62,501	62,500	125,000
Office and rent	3,625	4,146	7,346	8,183
Professional fees (Note 8)	4,453	4,427	19,453	8,677
Regulatory and transfer agent	4,744	4,847	11,500	10,720
Shareholder Communications	-	-	4,542	-
	18,822	87,421	117,342	175,680
<b>Loss before other items</b>	(18,822)	\$ (234,565)	\$ (137,694)	(494,111)
<b>Other items</b>				
Interest and other income	-	35,121	-	35,121
<b>LOSS AND COMPREHENSIVE LOSS</b>	\$ (18,822)	\$ (199,444)	\$ (137,694)	\$ (458,990)
Loss per common share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	38,480,187	38,480,187	38,480,187	38,480,187

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

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

	Six Months Ended July 31,	
	2015	2014
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Loss for the period	\$ (137,694)	\$ (458,990)
Items not affecting cash:		
	-	-
<b>Changes in non-cash working capital items:</b>		
Receivables	(310)	63,489
Advances and prepaids	-	206,722
Accounts payable and accrued liabilities	104,237	181,122
<b>Net cash used in operating activities</b>	<b>(33,767)</b>	<b>(7,657)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued for cash, net of share issue costs	-	-
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
 <b>Decrease in cash during the period</b>	 <b>(33,767)</b>	 <b>(7,657)</b>
 <b>Cash, beginning of period</b>	 <b>49,086</b>	 <b>108,838</b>
 <b>Cash, end of period</b>	 <b>\$ 15,319</b>	 <b>\$ 101,181</b>

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

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

	<b>Number of common shares</b>		<b>Share capital</b>		<b>Reserves</b>		<b>Deficit</b>		<b>Total Equity (Deficiency)</b>
<b>Balance at January 31, 2014</b>	38,480,187	\$	11,559,862	\$	1,512,865	\$	(11,888,873)	\$	1,183,854
Loss for the period	-		-		-		(458,990)		(458,990)
<b>Balance at July 31, 2014</b>	38,480,187	\$	11,559,862	\$	1,512,865	\$	(12,347,863)	\$	724,864

  

	<b>Number of common shares</b>		<b>Share capital</b>		<b>Reserves</b>		<b>Deficit</b>		<b>Total Equity (Deficiency)</b>
<b>Balance at January 31, 2015</b>	38,480,187	\$	11,559,862	\$	1,512,865	\$	(13,526,927)	\$	(454,200)
Loss for the period	-		-		-		(137,694)		(137,694)
<b>Balance at July 31, 2015</b>	38,480,187	\$	11,559,862	\$	1,512,865	\$	(13,664,621)	\$	(591,894)

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

The Company's principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. The Company's held mineral interests located in the Republic of Serbia but has returned the licenses and is currently seeking a suitable project. The Company's continuing operations and the ability of the Company to meet its commitments are dependent upon the ability of the Company to find a suitable project and to raise additional equity and debt financing.

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 July 31, 2015, the Company has not achieved profitable operations and has accumulated losses since inception. There is material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation and measurement**

These condensed interim 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"), including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements, except as described below, and should be read in conjunction with the annual audited financial statements of the Company for the year ended January 31, 2015.

### **Accounting pronouncements not yet effective**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue - Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or

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FOR THE SIX MONTHS ENDED JULY 31, 2015

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

after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

The IASB intends to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments. In February 2014, the IASB tentatively determined that the revised effective date for IFRS 9 would be January 1, 2018. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

**3. CASH**

Cash consists of cash on hand and deposits at banks earning interest at floating rates based on daily bank deposit rates:

**4. RECEIVABLES**

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

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		July 31, 2015		January 31, 2015
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GST receivable	\$	19,613	\$	19,303

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**5. EXPLORATION AND EVALUATION ASSETS**

Balkans Properties

On February 14, 2011 the Company signed a definitive option agreement ("Option Agreement") with Lithium Li Holdings Inc. ("Lithium Li") to earn an undivided 51% interest, with further options to earn an undivided 65% or 80% interest, in Lithium Li. Lithium Li, through wholly-owned subsidiaries in the Balkans, has been granted exploration licenses in the Republic of Serbia and in Bosnia and Herzegovina. This Option Agreement was superseded on August 28, 2013 when the Company completed a share purchase agreement ("Purchase Agreement") to purchase a 100% interest in Lithium Li and all its current and future licenses for consideration of cash payments totaling \$5,800,000, and the issuance of a total of 7,000,000 common shares to the current owner of Lithium Li, Mr. Petr Palkovsky, over a period of four years and linked to the Company's ability to raise financing in the future. In February 2015, the Company and Mr. Palkovsky amended the terms of the Purchase Agreement. Under the new amended agreement, all future cash and share considerations are replaced by the issue of additional common shares to Mr. Palkovsky. The amended agreement was approved by the TSX-V and 4,156,328 shares were issued to Mr. Palkovsky.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

The Company anticipated that the amended agreement with Mr. Palkovsky would make the structure of its license holdings more attractive to investors. However, after restructuring the agreement, the Company could not attract partners to invest and advance the projects. Furthermore, the Company could not attract any additional investment from the financial markets. Based on these factors the Company has relinquished all licences and will seek other opportunities in the mineral sector going forward.

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following:

	July 31, 2015	January 31, 2015
Accounts payable	\$ 513,536	\$ 442,089
Accrued liabilities	101,500	80,500
	\$ 615,036	\$ 522,589

**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

**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 5 years. The Company's Board of Directors has the ability to set the vesting terms for any stock options granted.

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

The continuity of stock options for the six months ended July 31, 2015 is as follows:

Expiry Date	Exercise Price	Outstanding January 31, 2015	Granted	Exercised	Expired/ Cancelled	Outstanding July 31, 2015	Exercisable July 31, 2015
30-Nov-16	\$ 0.20	87,000	-	-	-	87,000	87,000
8-Jul-15	0.25	250,000	-	-	250,000	-	-
10-Dec-15	0.32	200,000	-	-	-	200,000	200,000
15-Apr-16	1.03	525,000	-	-	-	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
<b>Total</b>		<b>2,972,000</b>	<b>-</b>	<b>-</b>	<b>250,000</b>	<b>2,722,000</b>	<b>2,722,000</b>
Weighted average							
exercise price	\$	0.64	\$	-	\$	-	\$ 0.68

**Share Purchase Warrants**

The continuity of share purchase warrants for the six months ended July 31, 2015 is as follows:

Expiry Date	Exercise Price	Balance, January 31, 2015	Issued	Exercised	Expired/ Cancelled	Balance, July 31, 2015
28-Aug-15	0.20	6,694,666	-	-	-	6,694,666
<b>Total</b>		<b>6,694,666</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,694,666</b>
Weighted average						
exercise price	\$	0.20	\$	-	\$	-

Subsequent to quarter end, all share purchase warrants expired unexercised.

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**8. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to key management personnel including the Company's former CEO (currently a director), CFO, and Corporate Secretary were as follows:

	Six Months Ended July 31,	
	2015	2014
Management, accounting and legal fees	\$ 93,500	\$ 165,790

Included in accounts payable and accrued liabilities was an aggregate of \$446,666 (January 31, 2015 - \$351,666) payable to related parties.

**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**

None

**11. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT**

**Financial Instruments**

The Company classified its financial instruments as follows:

	Financial Instruments at FVTPL	Loans and Receivables	Other Financial Liabilities
<b>As at July 31, 2015</b>			
Cash	\$ 15,319	\$ -	\$ -
Receivables	-	19,613	-
Accounts payable and accrued liabilities	-	-	626,826
	\$ 15,319	\$ 19,613	\$ 626,826

**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:

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

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

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.

As at July 31, 2015, the Company's financial instruments measured at fair value are as follows:

<b>Financial Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash	\$ 15,319	\$ -	\$ -	15,319

### **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 six months ended July 31, 2015.

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 to customers, including 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.

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

**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.

**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) and United States dollars (USD). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and those two 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 are minimal.