

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Expressed in Canadian Dollars)

PACTON GOLD INC.
(formerly Noka Resources Inc.)

May 31, 2017

INDEX

Page

Condensed Interim Financial Statements

Notice of No Auditor Review

Condensed Interim Statements of Financial Position 1

Condensed Interim Statements of Comprehensive Loss 2

Condensed Interim Statements of Changes in Equity 3

Condensed Interim Statements of Cash Flows 4

Notes to the Condensed Interim Financial Statements 5-22

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

July 27, 2017

PACTON GOLD INC.
(formerly Noka Resources Inc.)
Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	May 31, 2017	November 30, 2016
Assets		
Current		
Cash	\$ 111,642	\$ 20,142
Receivables	45,688	1,790
Prepaid expenses	33,056	750
	190,386	22,682
Prepaid Expenses	21,500	-
Equipment (note 7)	4,855	5,394
Exploration and Evaluation Assets (note 8)	1,651,970	476,449
	\$ 1,868,711	\$ 504,525
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 364,167	\$ 260,041
Loans payable (note 9)	-	14,000
	364,167	274,041
Shareholders' Equity		
Share Capital (note 10)	9,052,970	7,381,812
Share-based Payments Reserve (note 10)	492,462	411,207
Deficit	(8,040,888)	(7,562,535)
	1,504,544	230,484
	\$ 1,868,711	\$ 504,525

Going Concern (note 2)
Subsequent Event (note 14)

Approved on behalf of the Board:

<i>"Richard Kusmirski"</i>	<i>"Dominic Verdejo"</i>
..... Director Director
Richard Kusmirski	Dominic Verdejo

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

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Condensed Interim Statements of Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	May 31, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Expenses				
Amortization (note 7)	\$ 269	\$ 337	\$ 539	\$ 674
Consulting fees	265,811	48,750	267,811	112,746
Management fees (recovery) (note 11)	(9,750)	45,000	(2,250)	90,000
Office and miscellaneous	1,318	3,939	1,407	6,440
Professional fees (note 11)	13,703	24,364	21,388	30,430
Rent	-	7,582	-	14,821
Shareholder communications and investor relations	1,885	12,375	2,447	25,267
Share-based payments (note 10)	209,409	105,729	209,409	122,733
Transfer agent and filing fees	12,240	9,343	28,963	22,706
	(494,885)	(257,419)	(529,714)	(425,817)
Other Item				
Loss on settlement of accounts payable (note 10)	(7,857)	-	(7,857)	-
Net Loss and Comprehensive Loss for the Period	(502,742)	(257,419)	(537,571)	(425,817)
Basic and Diluted Loss Per Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	42,499,861	26,808,787	36,490,105	25,607,580

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

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Condensed Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Capital Stock		Share-based Payments Reserve	Deficit	Total
	Number of Shares	Capital Stock			
Balance, November 30, 2015	23,720,988	\$ 6,128,634	\$ 198,021	\$ (5,390,678)	\$ 935,977
Private placements	5,839,333	700,720	-	-	700,720
Share issue costs	-	(98,230)	46,183	-	(52,047)
Exercise of stock options	3,351,000	214,730	-	-	214,730
Fair value of exercised stock options	-	110,958	(110,958)	-	-
Expiry of stock options	-	-	(9,837)	9,837	-
Share-based payments (note 10)	-	-	122,733	-	122,733
Expiry of agents' warrants	-	-	(51,748)	51,748	-
Net loss and comprehensive loss for period	-	-	-	(425,817)	(425,817)
Balance, May 31, 2016	32,911,321	7,056,812	194,394	(5,754,910)	1,496,296
Shares issued for exploration and evaluation assets	2,500,000	325,000	-	-	325,000
Share-based payments (note 10)	-	-	218,394	-	218,394
Expiry of agents' warrants	-	-	(1,581)	1,581	-
Net and comprehensive loss for period	-	-	-	(1,809,206)	(1,809,206)
Balance, November 30, 2016	35,411,321	7,381,812	411,207	(7,562,535)	230,484
Private placements	11,328,571	711,000	-	-	711,000
Share issue costs	28,000	(20,435)	-	-	(20,435)
Shares issued for exploration and evaluation assets	6,450,000	780,500	-	-	780,500
Shares issued for settlement of accounts payable	392,857	35,357	-	-	35,357
Exercise of stock options	958,000	95,800	-	-	95,800
Fair value of exercised stock options	-	68,936	(68,936)	-	-
Share-based payments (note 10)	-	-	209,409	-	209,409
Expiry of stock options	-	-	(59,218)	59,218	-
Net loss and comprehensive loss for period	-	-	-	(537,571)	(537,571)
Balance, May 31, 2017	54,568,749	\$ 9,052,970	\$ 492,462	\$ (8,040,888)	\$ 1,504,544

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

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Condensed Interim Statements of Cash Flows

Six Months Ended

(Unaudited - Expressed in Canadian Dollars)

	May 31, 2017	May 31, 2016
Operating Activities		
Net loss	\$ (537,571)	\$ (425,817)
Items not involving cash		
Amortization	539	674
Share-based payments	209,409	122,733
Loss on settlement of accounts payable	7,857	-
Changes in non-cash working capital		
Receivables	(43,898)	(96)
Prepaid expenses	(53,806)	628
Accounts payable and accrued liabilities	31,815	36,382
Cash Used in Operating Activities	(385,655)	(265,496)
Investing Activity		
Exploration and evaluation assets	(295,210)	(1,298)
Cash Used in Investing Activity	(295,210)	(1,298)
Financing Activities		
Net proceeds from share issuance	786,365	572,403
Repayment of loans	(14,000)	-
Cash Provided by Financing Activities	772,365	572,403
Inflow of Cash	91,500	305,609
Cash, Beginning of Period	20,142	19,723
Cash, End of Period	\$ 111,642	\$ 325,332

Supplemental Disclosure with Respect to Cash Flows (note 12)

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

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Pacton Gold Inc. ("the Company") was incorporated pursuant to the British Columbia Business Corporations Act on December 15, 2010. The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5. The Company operates in Canada and USA. On July 17, 2012, the Company's stock was listed on the TSX Venture Exchange ("TSX-V") trading under the symbol "NX". On April 27, 2017, the Company changed its name to Pacton Gold Inc. and began trading under the symbol "PAC". The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired. The Company is an exploration stage company and is in the process of acquiring and exploring its mineral property interests.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a loss during the six months ended May 31, 2017 of \$537,571 (2016 - \$425,817) and has a deficit of \$8,040,888 (November 30, 2016 - \$7,562,535), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage and, accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements ("financial statements") of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements of the Company should be read in conjunction with the Company's 2016 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on July 27, 2017.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION (Continued)

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale (“AFS”), and fair value through profit or loss (“FVTPL”). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 4 to the audited financial statements for the year ended November 30, 2016.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

a) Impairment of exploration and evaluation assets

The application of the Company’s accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Critical judgments in applying accounting policies (continued)

c) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

d) Going concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in Note 2.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at May 31, 2017, the Company has no known rehabilitation requirements and accordingly, no provision has been made.

PACKTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (continued)

b) Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 10.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as financial assets at FVTPL; receivables as loans and receivables; and accounts payable and accrued liabilities and loans payable as other financial liabilities, which are measured at amortized cost. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy:

May 31, 2017	Level 1	Level 2	Level 3	Total
Cash	\$ 111,642	\$ -	\$ -	\$ 111,642

November 30, 2016	Level 1	Level 2	Level 3	Total
Cash	\$ 20,142	\$ -	\$ -	\$ 20,142

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company has minimal credit risk.

PACTON GOLD INC.

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Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of May 31, 2017 equal \$364,167 (November 30, 2016 - \$274,041). All of the liabilities presented as accounts payable are due within 30 days of May 31, 2017. The cash available is not sufficient to meet the Company's financial obligations at period end.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) Currency risk - The Company has no funds held in a foreign currency and as a result is not exposed to significant currency risk on its financial instruments at year-end.

ii) Interest rate risk - Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates and, therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) Other price risk - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended May 31, 2017. The Company is not subject to externally imposed capital requirements.

PACKTON GOLD INC.

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Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

7. EQUIPMENT

	Furniture and Equipment
Cost	
Balance, November 30, 2015 and 2016, and May 31, 2017	\$ 7,717
Amortization	
Balance, November 30, 2015	\$ 975
Amortization	1,348
Balance, November 30, 2016	2,323
Amortization	539
Balance, May 31, 2017	\$ 2,862
Net Book Value, November 30, 2015	\$ 6,742
Net Book Value, November 30, 2016	\$ 5,394
Net Book Value, May 31, 2017	\$ 4,855

8. EXPLORATION AND EVALUATION ASSETS

a) Tully West Gold Property

On January 16, 2017, the Company entered into two option agreements to earn a 100% interest in the Tully West Gold Property, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Issue 1,300,000 common shares of the Company (issued on January 25, 2017 and valued at \$117,000) and pay \$25,000 (paid) within five days of approval by the TSX-V, which was received January 25, 2017;
- Issue 1,300,000 common shares of the Company and pay \$80,000 on or before January 25, 2018; and
- Issue 1,300,000 common shares of the Company and pay \$110,000 on or before January 25, 2019.

If the Company completes an equity financing for gross proceeds in excess of \$1,000,000 (excluding flow-through proceeds), the remaining option payments are due within ten days of closing of the equity financing.

The Company must also incur exploration expenditures as follows:

- \$250,000 on or before January 16, 2018;
- an additional \$500,000 on or before January 25, 2019; and
- an additional \$500,000 on or before January 25, 2020.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

a) Tully West Gold Property (continued)

The vendors retain a 2.5% NSR, of which two-fifths (1%) can be repurchased by the Company for an aggregate \$1,000,000.

b) Birch Gold Project

On March 10, 2017, the Company entered into an option agreement to earn a 100% interest in the Birch Gold Property, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Issue 900,000 common shares of the Company within five days of approval by the TSX-V, which was received on March 22, 2017 (issued and valued at \$81,000);
- Pay \$75,000 by April 21, 2017 (paid);
- Issue 900,000 common shares of the Company and pay \$75,000 on or before March 22, 2018;
- Issue 900,000 common shares of the Company and pay \$75,000 on or before March 22, 2019;
- Issue 900,000 common shares of the Company and pay \$75,000 on or before March 22, 2020; and
- Issue 900,000 common shares of the Company and pay \$75,000 on or before March 22, 2021.

The Company must also incur exploration expenditures as follows:

- \$150,000 on or before March 22, 2018;
- an additional \$300,000 on or before March 22, 2019;
- an additional \$350,000 on or before March 22, 2020; and
- an additional \$500,000 on or before March 22, 2021.

The Property is subject to a 2% NSR.

On March 10, 2017, the Company entered into an option agreement to earn a 100% interest in the Uchi Gold Property, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Issue 250,000 common shares of the Company within five days of approval by the TSX-V, which was received on March 22, 2017 (issued and valued at \$22,500);
- Pay \$15,000 by April 21, 2017 (paid);
- Issue 250,000 common shares of the Company and pay \$15,000 on or before March 22, 2018;
- Issue 250,000 common shares of the Company and pay \$15,000 on or before March 22, 2019;
- Issue 250,000 common shares of the Company and pay \$15,000 on or before March 22, 2020; and
- Issue 250,000 common shares of the Company and pay \$15,000 on or before March 22, 2021.

The vendor retains a 2.5% NSR, of which two-fifths (1%) can be repurchased by the Company for an aggregate \$1,000,000 within 180 days of a public announcement of a positive feasibility study on the project.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

c) Red Lake Project

On May 10, 2017, the Company entered into an option agreement to earn a 100% interest in 34 mineral claims and 2 mineral patents in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Issue 1,200,000 common shares of the Company (issued and valued at \$168,000) and pay \$75,000 (paid) within five days of approval by the TSX-V, which was received on May 19, 2017;
- Issue 1,000,000 common shares of the Company and pay \$75,000 on or before May 19, 2018;
- Issue 1,000,000 common shares of the Company and pay \$75,000 on or before May 19, 2019; and
- Issue 1,000,000 common shares of the Company and pay \$75,000 on or before May 19, 2020.

The vendor retains a NSR varying from 0.25% to 2.25%, of which one-half can be repurchased by the Company, at a rate of \$250,000 per 0.25%.

On May 23, 2017, the Company entered into an option agreement to earn a 100% interest in 14 mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Issue 300,000 common shares of the Company (issued and valued at \$42,000) and pay \$16,000 (paid) within five days of approval by the TSX-V, which was received on May 26, 2017;
- Pay \$12,000 on or before May 26, 2018;
- Pay \$16,000 on or before May 26, 2019; and
- Pay \$26,000 on or before May 26, 2020.

The claims are subject to an underlying 2% NSR.

On May 23, 2017, the Company entered into an additional option agreement to earn a 100% interest in 30 additional mineral claims in the Red Lake Mining District, located in Ontario. Under the terms of the agreement, the Company must make cash payments and issue common shares of the Company as follows:

- Issue 2,500,000 common shares of the Company within five days of approval by the TSX-V, which was received on May 26, 2017 (issued and valued at \$350,000);
- Pay \$100,000 on or before May 26, 2018; and
- Pay \$150,000 on or before May 26, 2019.

The vendors retain a 2.5% NSR, of which two-fifths (1%) can be repurchased by the Company for \$1,500,000.

d) Duxbury Property

On June 28, 2016, and as amended March 10, 2017, the Company entered into an option agreement to acquire a 100% interest in the Duxbury Property, a lithium project in Quebec. Consideration for the option was the issuance of 1,000,000 common shares to the optionor within five days of acceptance of the transaction by the TSX-V (issued on July 5, 2016 and valued at \$130,000).

The vendor retains a 2% NSR, of which the Company may re-purchase one-half (1%) for \$1,000,000.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

e) Lincoln Property

On April 21, 2016, and as amended June 15, 2016, the Company entered into an option agreement to acquire a 100% interest in the Lincoln Property, a lithium project in Nevada. Consideration for the option is as follows:

- issuance of 1,500,000 common shares to the optionor upon acceptance of the transaction by the TSX-V (issued on July 4, 2016 and valued at \$195,000); and
- cash payment of \$50,000 within five days of acceptance by the TSX-V (paid).

At November 30, 2016, the Company determined that the value of the Property was impaired. The Property was written down to \$100,000. On January 1, 2017, the Company reached an agreement to sell the Property for \$100,000. The purchaser was required to pay the \$100,000 by September 28, 2017. The repayment terms were amended on July 11, 2017 (see note 14).

f) Columbus Property

On November 20, 2015, the Company entered into an agreement to earn a 100% interest in the Columbus Property, located in the Big Smoky Valley, Esmeralda County, Nevada. Under the terms of the agreement, the Company was required to make cash payments and issue common shares of the Company as follows:

- Issue 3,200,000 common shares of the Company (issued on November 24, 2015 and valued at \$128,000);
- Pay \$100,000 on or before December 31, 2016;
- Pay \$150,000 on or before December 31, 2017; and
- Pay \$200,000 on or before December 31, 2018.

The Company was required to incur a minimum of \$1,000,000 in exploration expenditures by November 20, 2018. The vendors retained a 1% NSR on the Property, of which one-half (0.5%) could be repurchased by the Company for \$1,000,000.

At November 30, 2016, the Company determined it would not make the \$100,000 option payment due on December 31, 2016. Accordingly, the Property was written down to \$nil.

g) Carpenter Lake

On May 28, 2013, the Company entered into an agreement to acquire a 100% interest in 34 mineral claims located in the Athabasca Basin Region of Northern Saskatchewan. Consideration for the acquisition was the issuance of 200,000 common shares (issued and valued at \$380,000). The Company paid a finder's fee of 10,000 common shares (issued and valued at \$19,000).

The property is subject to a 5% NSR. The NSR may be reduced to a minimum of 2% at the option of either the vendors or the Company in exchange for the issuance of 100,000 common shares for each percentage point bought back ("the Royalty Buyback").

Pursuant to an amending agreement dated June 21, 2013, the Company agreed to file a National Instrument 43-101 Report on or before July 1, 2014 as a condition for approval from the TSX-V to exercise the Royalty Buyback. Failure to receive approval gives the vendors of the property the right to purchase the property for the sum of \$200,000 commencing on July 1, 2014 for a period of 180 days.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

g) Carpenter Lake (continued)

On January 13, 2014, the Company granted an option to Alpha Exploration Inc. (TSX-V: AEX) ("Alpha") to earn a 60% interest in the Company's Clearwater/Carpenter Lake property. Under the terms of the agreement, Alpha must make cash and share payments as follows:

- Cash payment of \$12,500 upon approval of the agreement by the TSX-V (received);
- Issuance of 100,000 common shares within 10 days of approval by the TSX-V (received and valued at \$59,000);
- Cash payment of \$12,500 and issuance of 100,000 common shares on the first anniversary of approval by the TSX-V;
- Cash payment of \$12,500 and issuance of 100,000 common shares on the second anniversary of approval by the TSX-V; and
- Cash payment of \$12,500 and issuance of 100,000 common shares on the third anniversary of approval by the TSX-V.

Alpha must also incur a total of \$1,250,000 in exploration expenditures on the property as follows:

- \$250,000 by the first anniversary of approval by the TSX-V;
- a further \$250,000 by the second anniversary of approval by the TSX-V; and
- a further \$750,000 by the third anniversary of approval by the TSX-V.

On November 6, 2014, Alpha provided the Company with its Notice of Exercise on the option to earn a 60% interest in the Clearwater/Carpenter Lake Property. The Company received the \$37,500 in cash payments due from the first through third anniversaries and the 300,000 common shares (valued at \$27,000). A joint venture was formed between Alpha (60%) and Pacton (40%) for the further development of the property, with Alpha serving as the operator.

Presently, the property is subject to a NSR of 2%, which is owed to the original vendors (the "Underlying NSR"). The Underlying NSR rate was reduced from 5% to 2% by Pacton through the issuance of 300,000 common shares of the Company on October 27, 2014 (valued at \$90,000).

At November 30, 2016, the Company determined that the value of the Property was impaired due to a lack of recent exploration work by Alpha (now ALX). The Property was written down to \$226,000, which is based on the Company's estimated percentage of the Property. Management intends to further explore the Property either on its own or in partnership with ALX.

h) Lodge Pole

On April 15, 2014, the Company entered into two option agreements to earn a 100% interest in the Lodge Pole Point Project, located in the Athabasca Region of Northern Saskatchewan. The terms of the agreements were revised on April 10, 2015 and July 27, 2016. Under the terms of the revised agreements, the Company was required to make cash payments and issue common shares of the Company as follows:

- Issue 600,000 common shares of the Company (issued on April 24, 2014 and valued at \$600,000);
- Pay \$50,000 on or before April 15, 2015 (paid);
- Pay \$20,000 on or before December 1, 2016; and
- Pay \$20,000 annually, beginning on April 1, 2017, as non-refundable advance NSR royalty payments.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

h) Lodge Pole (continued)

The vendors retained a 1% NSR on the Property, of which half (0.5%) could be repurchased by the Company for an aggregate \$3,000,000.

At November 30, 2016, the Company determined it would not make the \$20,000 option payment due on December 1, 2016. Accordingly, the Property was written down to \$nil.

i) Corning Creek

On April 20, 2011 (amended December 31, 2011) the Company entered into an option agreement to acquire a 100% interest in the mineral claims comprising the Corning Creek Property, except for mineral claim 831925, subject to a 2% NSR. Consideration for the option was as follows:

- Cash payment of \$35,000 (paid) within 10 days of the Company's shares being listed on the TSX-V (July 17, 2012); and
- Issuance 20,000 common shares (issued and valued at \$40,000).

The Company has the sole and exclusive option to purchase the NSR at a purchase price of \$1,000,000 for each percentage point bought back during the five-year period commencing from the date upon which the property is put into commercial production.

On June 29, 2011, the Company entered into an option agreement to earn a 100% interest in mineral claim 831925 which forms part of the Corning Creek Property. Consideration for the option was a cash payment of \$5,000 (paid) within 10 days of the Company's share being listed on the TSX-V.

The option agreement is subject to a 3% NSR. The Company can acquire the first 2% of the NSR by paying \$500,000 for each percentage point bought back. The final 1% can be purchased, for a negotiated amount, after commercial production commences.

During the year ended November 30, 2014, the Corning Creek Property was deemed to be impaired and written down to \$1.

j) Flow-through shares

At May 31, 2017, the Company had a remaining commitment to incur exploration expenditures in relation to its flow-through share financing of \$107,303.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (Continued)

	Tully West	Birch	Red Lake	Duxbury	Lincoln	Columbus	Carpenter Lake	Lodge Pole	Corning Creek	Total
Balance, November 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,000	\$ 416,695	\$ 714,596	\$ 1	\$ 1,259,292
Property Acquisition Costs										
Acquisition & Option Payments	-	-	-	130,000	245,000	-	-	-	-	375,000
Claim Costs	-	-	-	-	21,943	-	-	-	-	21,943
Total Acquisition Costs	-	-	-	130,000	266,943	-	-	-	-	396,943
Property Exploration Costs										
Geological	-	-	-	10,000	15,025	15,146	-	30,498	-	70,669
Transportation	-	-	-	10,448	-	-	-	-	-	10,448
Total Exploration Costs	-	-	-	20,448	15,025	15,146	-	30,498	-	81,117
Impairment	-	-	-	-	(181,968)	(143,146)	(190,695)	(745,094)	-	(1,260,903)
Balance, November 30, 2016	-	-	-	150,448	100,000	\$ -	226,000	-	1	476,449
Property Acquisition Costs										
Acquisition & Option Payments	142,000	193,500	651,000	-	-	-	-	-	-	986,500
Claim Costs	260	-	-	-	-	-	-	-	-	260
Total Acquisition Costs	142,260	193,500	651,000	-	-	-	-	-	-	986,760
Property Exploration Costs										
Drilling	83,390	-	-	-	-	-	-	-	-	83,390
Geological	76,488	2,820	26,063	-	-	-	-	-	-	105,371
Total Exploration Costs	159,878	2,820	26,063	-	-	-	-	-	-	188,761
Balance, May 31, 2017	\$ 302,138	\$ 196,320	\$ 677,063	\$ 150,448	\$ 100,000	\$ -	\$ 226,000	\$ -	\$ 1	\$ 1,651,970

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

9. LOANS PAYABLE

At November 30, 2016, the Company had loans payable of \$14,000 due to a shareholder of the Company. The loan was unsecured and without interest or stated terms of repayment.

10. CAPITAL STOCK

a) Authorized

Unlimited number of common voting shares without par value

b) Issued

During the six months ended May 31, 2017

On December 29, 2016, the Company closed a private placement and issued 4,100,000 flow-through common shares at a price of \$0.05 per share for gross proceeds of \$205,000. The Company paid cash share issue costs of \$2,375.

On January 25, 2017, the Company issued 1,300,000 common shares valued at \$117,000 for the Tully West Project (note 8(a)).

On March 23, 2017, the Company issued 392,857 common shares valued at \$35,357 of the Company to companies controlled by a current and a former officer of the Company to settle accounts payable of \$27,500. The Company recorded a loss on settlement of accounts payable of \$7,857.

On March 23, 2017, the Company issued 1,150,000 common shares valued at \$103,500 for the Birch Gold Project (note 8(b)).

On April 18, 2017, the Company closed a private placement and issued 7,228,571 common shares at a price of \$0.07 per share for gross proceeds of \$506,000. The Company issued 28,000 common shares and paid \$14,770 in cash as finder's fees.

On May 23, 2017 and May 29, 2017, the Company issued 4,000,000 common shares valued at \$560,000 for the Red Lake Project (note 8(c)).

During the six months ended May 31, 2017, the Company received \$95,800 on the exercise of 958,000 stock options. The Company transferred \$68,936, the value of the stock options, from the share-based payment reserve to share capital upon exercise of the options. The average share price was \$0.10 when the stock options were exercised.

During the year ended November 30, 2016

On May 26, 2016, the Company closed a private placement for gross proceeds of \$700,720. The Company issued 5,839,333 units at a price of \$0.12 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.24 per share for a period of two years from the date of issuance. The Company paid finders' fees of \$47,178 and issued 393,147 agent's warrants with a value of \$46,183 (note 10(d)). Each agent's warrants entitles the holder to acquire one common share at a price of \$0.12 per share for a period of two years from the date of issuance. The Company also paid other cash share issue costs of \$4,869.

On July 4, 2016, the Company issued 1,500,000 common shares valued at \$195,000 for the Lincoln Property (note 8(e)).

PACKTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

10. CAPITAL STOCK (Continued)

b) Issued (continued)

On July 5, 2016, the Company issued 1,000,000 common shares valued at \$130,000 for the Duxbury Property (note 8(d)).

During the year ended November 30, 2016, the Company issued 3,351,000 common shares on the exercise of 3,351,000 stock options, for gross proceeds of \$214,730. The Company transferred \$110,958, the value of the stock options, from the share-based payment reserve to share capital upon exercise of the stock options. The average share price was \$0.08 when the stock options were exercised.

c) Warrants

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

	Six Months Ended May 31, 2017		Year Ended November 30, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	5,839,333	\$ 0.24	7,094,750	\$ 0.48
Issued	-	-	5,839,333	0.24
Expired	-	-	(7,094,750)	0.48
Outstanding, end of period	5,839,333	\$ 0.24	5,839,333	\$ 0.24

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	May 31, 2017
May 26, 2018	0.99	\$ 0.24	5,839,333

d) Agent warrants

Agent warrant transactions and the number of warrants outstanding are summarized as follows:

	Six Months Ended May 31, 2017		Year Ended November 30, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	393,147	\$ 0.12	78,350	\$ 1.90
Issued	-	-	393,147	0.12
Expired	-	-	(78,350)	1.90
Outstanding, end of period	393,147	\$ 0.12	393,147	\$ 0.12

PACKTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

10. CAPITAL STOCK (Continued)

d) Agent warrants (continued)

The following agent warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	May 31, 2017
May 26, 2018	0.99	\$ 0.12	393,147

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its agent warrants granted. The fair value of each agent's warrant grant was calculated using the following weighted average assumptions:

	Six Months Ended May 31, 2017	Year Ended November 30, 2016
Expected life (years)	N/A	2.00
Risk-free interest rate	N/A	0.62%
Annualized volatility	N/A	143%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	\$0.16
Exercise price	N/A	\$0.12
Weighted average grant date fair value	N/A	\$0.12

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

During the year ended November 30, 2016, the Company transferred \$53,329 from the share-based payments reserve to deficit upon the expiry of 78,350 agent warrants.

e) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares which may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless otherwise specified by the Board of Directors.

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

10. CAPITAL STOCK (Continued)

e) Stock options (continued)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Six Months Ended May 31, 2017		Year Ended November 30, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	3,539,000	\$ 0.10	1,290,000	\$ 0.06
Granted	3,400,000	0.12	5,834,000	0.09
Exercised	958,000	0.10	(3,351,000)	0.06
Expired	(804,000)	0.12	(234,000)	0.08
Outstanding, end of period	5,177,000	\$ 0.11	3,539,000	\$ 0.10

The following stock options were outstanding and exercisable at May 31, 2017:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
March 15, 2018	0.79	\$ 0.085	1,000,000	1,000,000
May 29, 2018	0.99	\$ 0.13	2,400,000	2,400,000
September 7, 2018	1.27	\$ 0.10	1,777,000	1,777,000
	1.05	\$ 0.11	5,177,000	5,177,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, share-based payments of \$209,409 were recognized during the six months ended May 31, 2017 (year ended November 30, 2016 - \$341,127).

The fair value of each stock option granted was calculated using the following weighted average assumptions:

	Six Months Ended May 31, 2017	Year Ended November 30, 2016
Expected life (years)	1.00	1.53
Risk-free interest rate	0.74%	0.57%
Annualized volatility	130%	150%
Dividend yield	N/A	N/A
Stock price at grant date	\$ 0.12	\$ 0.09
Exercise price	\$ 0.12	\$ 0.09
Weighted average grant date fair value	\$ 0.06	\$ 0.06

PACKTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

10. CAPITAL STOCK (Continued)

e) Stock options (continued)

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

During the six months ended May 31, 2017, the Company transferred \$59,218 from the share-based payments reserve to deficit upon the expiry of 804,000 stock options granted to a consultant.

During the year ended November 30, 2016, the Company transferred \$9,837 from the share-based payments reserve to deficit upon the expiry of 234,000 stock options granted to a consultant.

11. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the statements of comprehensive loss:

	Six Months Ended May 31, 2017	Six Months Ended May 31, 2016
Short-term compensation (professional fees and management fees)	\$ 20,250	\$ 103,000

During the six months ended May 31, 2017, short-term compensation to related parties consisted of a recovery of \$2,250 in management fees (2016 – expense of \$90,000) and \$22,500 in professional fees (2016 - \$13,000).

As at May 31, 2017, the Company has outstanding amounts payable to current and former officers and directors of the Company of \$nil (November 30, 2016 - \$71,388) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

As at May 31, 2017, the Company had payables of \$nil (November 30, 2016 - \$12,779) related to shared administrative expenses with a company related by common officers and directors.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Six Months Ended May 31, 2017	Six Months Ended May 31, 2016
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Exploration and evaluation expenditures in accounts payable (opening)	\$ 15,608	\$ 16,917
Exploration and evaluation expenditures in accounts payable (closing)	\$ 115,419	\$ 15,807
Fair value of shares issued for exploration and evaluation assets	\$ 780,500	\$ -
Fair value of stock options exercised	\$ 68,936	\$ 110,958
Fair value of stock options expired	\$ 59,218	\$ 9,837
Fair value of warrants expired	\$ -	\$ 51,748
Fair value of agent's warrants granted	\$ -	\$ 46,183

PACTON GOLD INC.

(formerly Noka Resources Inc.)

Notes to the Condensed Interim Financial Statements

For the Six Months Ended May 31, 2017

(Unaudited - Expressed in Canadian Dollars)

13. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration and development. The Company's reportable segments are summarized as follows:

Geographical Segment

Non-current assets	Canada	USA	Total
May 31, 2017	\$ 1,578,325	\$ 100,000	\$ 1,678,325
November 30, 2016	\$ 381,843	\$ 100,000	\$ 481,843

14. SUBSEQUENT EVENT

- a) On July 11, 2017, the Company agreed to extend the payment deadline on the Lincoln Property from September 28, 2017 to December 31, 2017.