

TRANSCONTINENTAL GOLD CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

NINE MONTH PERIOD ENDED
SEPTEMBER 30, 2017

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements 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 financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review on interim financial statements by an entity's auditor.

TRANSCONTINENTAL GOLD CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
AS AT

	September 30, 2017	December 31, 2016
ASSETS		
Current		
Cash	\$ 431,720	\$ 200,449
Prepaid expenses	<u>614</u>	<u>16,500</u>
	<u>\$ 432,334</u>	<u>\$ 216,949</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 41,141	\$ 9,000
Shareholders' equity		
Share capital (Note 5)	492,614	233,000
Reserves (Note 5)	69,752	-
Deficit	<u>(171,173)</u>	<u>(25,051)</u>
	<u>391,193</u>	<u>207,949</u>
	<u>\$ 432,334</u>	<u>\$ 216,949</u>

Incorporation (Note 1)

Proposed transactions (Note 9)

Approved and authorized by the Board on October 31, 2017:

On behalf of the Board:

<u>“Wenhong Jin”</u> Wenhong Jin	Director	<u>“Yingting Guo”</u> Yingting Guo	Director
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The accompanying notes are an integral part of these financial statements.

TRANSCONTINENTAL GOLD CORP.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2017	From incorporation on July 25, 2016 to December 31, 2016
EXPENSES			
Accounting and auditing	\$ (4,340)	\$ 8,910	\$ 9,000
Legal fees	13,802	36,302	3,088
Office and miscellaneous	676	676	21
Registration and filing	8,740	28,269	3,130
Share-based compensation (Note 5)	51,366	51,366	-
Transfer agent	2,263	4,720	9,812
Travel	5,270	15,879	9,812
Loss and comprehensive loss for the period	\$ (77,777)	\$ (146,122)	\$ (25,051)
Basic and diluted loss per common share	\$ (0.07)	\$ (0.14)	\$ (0.08)
Weighted average number of common shares outstanding	1,110,435	1,023,956	297,736

The Company was incorporated on July 25, 2016; therefore the comparative numbers for the three and nine months ended September 30, 2016 are not available.

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

TRANSCONTINENTAL GOLD CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserves	Deficit	Total
Balance, July 25, 2016	-	\$ -	\$ -	\$ -	\$ -
Shares issued for cash	3,680,000	233,000	-	-	233,000
Loss for the period	-	-	-	(25,051)	(25,051)
Balance, December 31, 2016	3,680,000	233,000	-	(25,051)	207,949
Shares issued for cash	400,000	20,000	-	-	20,000
Shares issued at IPO	3,000,000	300,000	-	-	300,000
Share issuance costs	-	(60,386)	18,386	-	(42,000)
Share-based compensation	-	-	51,366	-	51,366
Loss for the period	-	-	-	(146,122)	(146,122)
Balance, September 30, 2017	7,080,000	\$ 492,614	\$ 69,752	\$ (171,173)	\$ 391,193

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

TRANSCONTINENTAL GOLD CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Nine Months Ended September 30, 2017	From incorporation on July 25, 2016 to December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (146,122)	\$ (25,051)
Item not involve cash:		
Share-based compensation	51,366	-
Changes in non-cash working capital items:		
Decrease (increase) in prepaid expenses	15,886	(16,500)
Increase in accounts payable and accrued liabilities	<u>32,141</u>	<u>9,000</u>
Net cash used in operating activities	<u>(46,729)</u>	<u>(32,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	20,000	233,000
Shares issued at IPO	300,000	-
Shares issuance cost	<u>(42,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>278,000</u>	<u>233,000</u>
Change in cash for the period	231,271	200,449
Cash, beginning of period	<u>200,449</u>	<u>-</u>
Cash, end of period	\$ 431,720	\$ 200,449

*The Company was incorporated on July 25, 2016; therefore the comparative numbers for the nine months ended September 30, 2016 are not available.

**There were no significant non-cash transactions for the periods presented.

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

1. INCORPORATION

Transcontinental Gold Corp. (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on July 25, 2016 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

The Company’s head office and principal address is Suite 890 – 580 Hornby Street, Vancouver, British Columbia, Canada and its registered office is located at Suite 405-1328 West Pender Street, Vancouver, British Columbia, Canada.

2. BASIS OF PREPARATION

Statement of Compliance

These unaudited condensed interim financial statements, including comparatives have been prepared using accounting policies in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 “*Interim Financial Reporting*”. These financial statements should be read in conjunction with the Company’s audited financial statements for the period from incorporation to December 31, 2016 and for the nine months period ended September 30, 2017.

Basis of Measurement

These financial statements have been prepared on a historical costs 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.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Going Concern of Operations

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. However, the Company believes they have sufficient capital to fund operations for the next twelve months.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgement, measurement estimates and uncertainties as those disclosed in Notes 3 and 4 of the Company's audited financial statements for the for the period from incorporation to December 31, 2016 and for the nine months period ended September 30, 2017.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2017 reporting period. Management does not expect these standards will have a significant impact on the measurement or presentation of balances or transactions as reported in these financial statements.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard is effective for years beginning on or after January 1, 2018.

(b) IFRS 9, Financial Instruments

The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking “expected loss” impairment model. The standard is mandatory for years beginning on or after January 1, 2018.

(c) IFRS 16, Leases

The new standard on leases, supersedes IAS 17, Leases, and related interpretations. The standard is effective for years beginning on or after January 1, 2019.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of prepayments which are included in the statement of financial position;
- the estimation of accrued liabilities at period end in the statement of financial position.

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SEPTEMBER 30, 2017

5. SHARE CAPITAL

- (a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.
- (b) Issued and outstanding:

As at September 30, 2017, the Company has 7,080,000 common shares (December 31, 2016 – 3,680,000) outstanding, 3,100,000 shares (December 31, 2016 – 2,700,000) of which are held in escrow and contingently cancellable.

These contingently cancellable common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrowed shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V, and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If the Company does not receive final acceptance of a Qualifying Transaction and is delisted, the shares may be cancelled and the proceeds returned to the shareholders.

During the nine months ended September 30, 2017:

In April 2017, the Company issued 400,000 common shares to a company controlled by its CEO at a price of \$0.05 per common share for total proceeds of \$20,000. Those common shares will be held in escrow with the same terms as described above.

On September 26, 2017, the Company completed its initial Public Offering (“IPO”) and issued 3,000,000 common shares at a price of \$0.10 per share for total proceeds of \$300,000. Pursuant to an Agency Agreement between the Company and Haywood Securities Inc. (the “Agent”), the Agent received a cash commission of \$30,000, a corporate finance fee of \$10,500 and \$1,500 for expense reimbursement. Effective September 28, 2017, the date that the Company’s common shares are listed for trading on the TSX-V, the Company issued Agent’s warrants to acquire 300,000 common shares at \$0.10 per share exercisable up until September 28, 2019. The fair value (\$18,386) of the Agent warrants has been included in share issue costs.

The fair value of the Agent’s warrants has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

Risk free interest rate	1.53%
Annual dividends	-
Expected stock price volatility	125%
Expected life	2 years

During the period ended December 31, 2016:

1) the Company issued 2,700,000 common shares at a price of \$0.05 per common share for total proceeds of \$135,000. These common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrowed shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V, and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrowed shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If the Company does not receive final acceptance of a Qualifying Transaction and is delisted, the shares may be cancelled and the proceeds returned to the shareholders.

2) the Company issued 980,000 common shares at a price of \$0.10 per common share for total proceeds of \$98,000.

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SEPTEMBER 30, 2017

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

Stock options

The Company adopted an incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On September 28, 2017, 608,000 stock options were granted to the directors and officers of the Company with an exercise price of \$0.10 per common share exercisable for a period up to September 28, 2027. The fair value (\$51,366 or \$0.08 per option) of the stock options was expensed as stock-based compensation.

The fair value of the stock options has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

Risk free interest rate	1.78%
Annual dividends	-
Expected stock price volatility	125%
Expected life	5 years

Stock options and agents' warrants

	Expiry Date	Exercise price	Balance, December 31, 2016	Granted	Balance, September 30, 2017
Agents' warrants	September 28, 2019	\$0.10	-	300,000	300,000
Stock options	September 28, 2027	\$0.10	-	608,000	608,000
			-	-	908,000
Weighted average exercise price			-	-	\$0.10

All warrants and options outstanding as of September 30, 2017 are vested and exercisable.

6. RELATED PARTY TRANSACTIONS

Details of the transactions between the Company and other related parties are disclosed below.

Trading transactions

The Company's related parties consist of companies owned by executive officers or related through common directors.

On September 28, 2017, the Company granted 608,000 stock options, of which 583,000 options, with a fair value of \$49,254, were granted to the directors and officers of the Company.

There were no related party transactions during the nine months ended September 30, 2017 or the period ended December 31, 2016.

Related party liabilities

The Company does not have amounts owing to or from related parties as of September 30, 2017 or December 31, 2016.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2017, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair value of accounts payable and accrued liabilities approximate its carrying value due to its short-term to maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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

As at June 30, 2017, the fair value of cash held by the Company was classified as Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

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 ensures there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover the likely short-term cash requirements, but that further funding will be required to meet long-term requirements. As at September 30, 2017, the Company had a cash balance of \$431,720 to settle current liabilities of \$41,141. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has no assets or liabilities and has no revenue or expenses denominated in a foreign currency, so it is not exposed to foreign currency risk.

iii. Equity price risk

Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

8. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

The Company is not subject to any externally-imposed capital requirements.