

# **PC Gold Inc.**

(an exploration stage company)

## **Financial Statements**

**For the 9 months ended March 31, 2010**

**(unaudited)**

### **Management's Comments on Unaudited Interim Financial Statements**

These unaudited interim financial statements of PC Gold Inc. (the "Company") for the 9 months ended March 31, 2010 have been prepared by management and approved by the Board of Directors of the Company.

These unaudited interim financial statements have not been reviewed by the Company's external auditors.

# PC Gold Inc.

(an exploration stage company)

## Balance Sheets

	As at March 31, 2010 \$ (unaudited)	As at June 30, 2009 \$
<b>Assets</b>		
Current		
Cash	4,813,381	2,232,202
Receivables	136,543	34,386
Prepaid expenses and deposits (note 8)	240,305	269,244
	<hr/> 5,190,229	<hr/> 2,535,832
Reclamation deposit	110,633	110,633
Capital assets (note 3)	38,624	49,839
Mineral resource property (note 4)	27,075,959	20,410,023
	<hr/> 32,415,445	<hr/> 23,106,327
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (note 8)	829,364	413,379
	<hr/>	<hr/>
<b>Shareholders' equity</b>		
Share capital (note 5)	30,970,867	21,858,918
Warrants (note 5)	2,891,549	2,146,203
Contributed surplus (note 5)	2,491,594	1,599,362
Deficit	(4,767,929)	(2,911,535)
	<hr/> 31,586,081	<hr/> 22,692,948
	<hr/>	<hr/>
	32,415,445	23,106,327

See accompanying notes to financial statements

Approved by the Board:

(signed) Kevin Keough  
Director

(signed) William Fisher  
Director

# PC Gold Inc.

(an exploration stage company)

## Statements of Operations and Deficit

	3 months ended		9 months ended		Cumulative
	March 31,		March 31,		since
	2010	2009	2010	2009	October 17,
	\$	\$	\$	\$	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
					(note 1)
<b>General and administrative expenses</b>					
Professional fees	6,250	15,396	34,676	40,438	117,428
Salaries & benefits	63,137	70,547	259,665	230,890	647,484
Consulting fees	12,000	12,000	36,000	36,000	178,542
Directors' fees	26,000	22,250	77,417	70,333	191,667
Stock-based compensation	88,248	88,248	967,840	264,743	2,567,202
Premises	5,025	5,045	15,075	15,245	43,381
Office, general and administration	22,511	14,091	49,184	37,318	113,748
Public company costs	47,654	45,346	91,432	67,091	182,820
Investor relations and marketing	142,777	61,705	302,341	218,364	732,998
Travel	3,103	1,225	9,971	12,781	30,096
Amortization	3,738	5,340	11,214	16,020	36,322
Part XII.6 tax	6,394	-	6,394	-	6,394
	<u>426,837</u>	<u>341,193</u>	<u>1,861,209</u>	<u>1,009,223</u>	<u>4,848,082</u>
<b>Loss and comprehensive loss before the following item</b>	(426,837)	(341,193)	(1,861,209)	(1,009,223)	(4,848,082)
Interest income	2,117	4,026	4,815	49,389	80,153
	<u>(424,720)</u>	<u>(337,167)</u>	<u>(1,856,394)</u>	<u>(959,834)</u>	<u>(4,767,929)</u>
<b>Loss and comprehensive loss for the period</b>	(424,720)	(337,167)	(1,856,394)	(959,834)	(4,767,929)
Deficit, beginning of period	(4,343,209)	(2,177,598)	(2,911,535)	(1,554,931)	-
<b>Deficit, end of period</b>	<u>(4,767,929)</u>	<u>(2,514,765)</u>	<u>(4,767,929)</u>	<u>(2,514,765)</u>	<u>(4,767,929)</u>
<b>Loss per share - basic and diluted</b>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.04)</u>	
<b>Weighted average number of shares outstanding - basic and diluted</b>	<u>35,231,270</u>	<u>26,555,000</u>	<u>37,709,769</u>	<u>25,980,839</u>	

See accompanying notes to financial statements

# PC Gold Inc.

(an exploration stage company)

## Statements of Cash Flows

	3 months ended		9 months ended		Cumulative
	March 31,		March 31,		since
	2010	2009	2010	2009	October 17,
	\$	\$	\$	\$	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
					(note 1)
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Loss for the period	(424,720)	(337,167)	(1,856,394)	(959,834)	(4,767,929)
Amortization	3,738	5,340	11,214	16,020	36,322
Stock-based compensation	88,248	88,248	967,840	264,743	2,567,202
Changes in non-cash operating working capital:					
Prepaid expenses and deposits	7,783	263,234	28,939	14,704	(240,305)
Receivables	72,071	187,858	(102,158)	10,027	(136,544)
Accounts payable and accrued liabilities	414,338	(156,720)	415,985	(71,775)	829,363
	161,458	50,793	(534,574)	(726,115)	(1,711,891)
<b>Financing activities</b>					
Advances from a director	-	-	-	-	34,977
Advances	-	-	-	-	25,000
Issue of units	-	2,000,000	6,024,800	2,000,000	20,627,324
Issue of flow-through common shares	-	-	3,363,400	-	3,363,400
Proceeds from exercise of warrants	1,105,868	-	1,112,868	-	1,112,868
Proceeds from exercise of stock options	100,000	-	100,000	-	100,000
Share issue costs	(4,044)	(185,231)	(819,379)	(185,231)	(2,125,153)
	1,201,824	1,814,769	9,781,689	1,814,769	23,138,416
<b>Investing activities</b>					
Acquisition of reclamation deposit and mineral resource property	-	-	-	-	(3,828,268)
Reclamation deposit	-	-	-	-	(1,792)
Mineral resource property expenditures	(2,722,509)	(573,076)	(6,665,936)	(4,990,673)	(12,708,137)
Purchase of capital assets	-	-	-	-	(74,947)
	(2,722,509)	(573,076)	(6,665,936)	(4,990,673)	(16,613,144)
<b>Net increase (decrease) in cash</b>	(1,359,227)	1,292,486	2,581,179	(3,902,019)	4,813,381
<b>Cash, beginning of period</b>	6,172,608	1,789,951	2,232,202	6,984,456	-
<b>Cash, end of period</b>	4,813,381	3,082,437	4,813,381	3,082,437	4,813,381
<b>Non-cash transactions</b>					
Fair value of broker warrants issued	-	-	276,171	-	-
Shares issued for corporate finance fee	-	25,000	-	25,000	-
<b>Supplementary information</b>					
Interest paid	-	-	-	-	-
Income taxes paid	-	-	-	-	-

See accompanying notes to financial statements

# **PC Gold Inc.**

(an exploration stage company)

## **Notes to Financial Statements**

**March 31, 2010**

(unaudited)

### **1. Nature of operations and going concern**

PC Gold Inc. (the "Company") was incorporated under the laws of Ontario on October 17, 2007 to consolidate leasehold ownership interests in, explore and develop the past producing Pickle Crow Gold Mine Property ("Pickle Crow Property") in northwestern Ontario, Canada.

The Company is in the exploration stage and has not yet determined whether its mineral resource property contains reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for its mineral resource property is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource property, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource property. The amount shown for mineral resource property does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for the mineral resource property.

The Company is exposed to commodity price risk with respect to gold and silver commodity prices. A significant decline in gold and silver commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource property.

As at March 31, 2010, the Company had working capital of \$4,360,865, which included cash of \$4,813,381, which is not sufficient, at the current rate of expenditures, to enable the Company to indefinitely fund its operations and the exploration of its mineral resource property. Without additional funding, there is substantial doubt as to the Company's ability to continue as a going concern. Although the Company has considerable discretion in terms of the scale and rate at which it unfolds its activities and has been successful in raising capital to date, there can be no assurance that additional funding will be available to the Company when it next needs to seek financing.

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

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

### **2. Summary of significant accounting policies**

These financial statements of the Company have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual financial statements, except as outlined below under "Accounting Changes". Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these financial statements should be read in conjunction with the annual financial statements.

#### **Accounting changes**

On July 1, 2009, the Company adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets" which replaced Section 3062. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. Concurrent with the introduction of this standard, the CICA withdrew EIC-27, Revenues and Expenses during the pre-operating period.

On July 1, 2009, the Company adopted CICA Handbook Section 1000, "Financial Statement Concepts" which has also been amended to clarify the criteria for the recognition of an asset, specifically as it relates to the use of the matching principle. Accordingly, certain items that may have been previously recognized as assets may not be able to be reflected as such under the new recommendations.

The adoption of these new standards did not have an effect on the Company's financial statements.

#### **Future accounting changes**

On January 1, 2011, the Company will adopt CICA Handbook Section 1582, "Business Combinations", which will replace Section 1581, "Business Combinations". The new standard amends standards for the recognition and measurement of identifiable assets acquired, liabilities assumed, non-controlling interest in the acquiree and goodwill acquired in a business combination.

On January 1, 2011, the Company will adopt CICA Handbook Sections 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests", which together, will replace section 1600, "Consolidated Financial Statements". Section 1601 amends standards for the preparation of consolidated financial statements and Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

The Company does not expect the adoption of these new standards to have an effect on the Company's financial statements.

#### **International Financial Reporting Standards ("IFRS")**

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS on its financial statements. The Company has not completed development of its IFRS changeover plan, which will include project structure governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 ("First Time Adoption of IFRS") exemptions. The Company hopes to complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting, and business activities such as financing and compensation arrangements, during 2010.

### **3. Capital assets**

	<b>As at March 31, 2010</b>	<b>As at June 30, 2009</b>
	<b>\$</b>	<b>\$</b>
Mining equipment	56,700	56,700
Accumulated amortization	27,479	18,995
	<hr/> 29,221	<hr/> 37,705
Office furniture & equipment	18,247	18,247
Accumulated amortization	8,844	6,113
	<hr/> 9,403	<hr/> 12,134
	<hr/> 38,624	<hr/> 49,839

#### 4. Mineral resource property

The Company has a 100% interest in the Pickle Crow Property which consists of 4,117 hectares located in Connell and McCullagh Townships, Patricia Mining Division, near the town of Pickle Lake in northwestern Ontario, Canada. The Company's interest includes a 100% interest in (a) a mining lease expiring May 31, 2067 which covers 98 patented mineral claims totalling 1,533 hectares, (b) 18 contiguous non-patented claims totaling 165 units or 2,579 hectares, and (c) a single non-contiguous non-patented claim comprising 5 hectares.

As of March 31, 2010, accumulated costs with respect to the Company's interest in the Pickle Crow Property consisted of the following:

	Acquisition cost \$	Exploration expenditures \$	Total \$
Balance, June 30, 2008	14,294,019	423,749	14,717,768
Expenditures	-	5,692,255	5,692,255
Balance, June 30, 2009	14,294,019	6,116,004	20,410,023
Expenditures	-	6,665,936	6,665,936
Balance, March 31, 2010	14,294,019	12,781,940	27,075,959

The Company's interest in the mining lease is subject to two net smelter royalties totaling a combined 1.25%, of which, the Company has the option to purchase 1% for \$5,000,000 until May 13, 2013 and 0.25% for \$1,000,000 until May 1, 2013.

#### 5. Share capital

##### Authorized

An unlimited number of common shares without par value.

##### Issued

	Common shares	
	Number of shares	Amount \$
Balance, June 30, 2008	25,700,000	20,620,978
Issued pursuant to private placement	4,000,000	2,000,000
Issued for corporate finance fee	50,000	25,000
Fair value of unit warrants issued	-	(497,422)
Fair value of broker warrants issued	-	(70,883)
Share issue costs	-	(218,755)
Balance, June 30, 2009	29,750,000	21,858,918
Issued pursuant to private placement	4,600,000	2,438,000
Issued for cash	5,124,000	3,586,800
Issued for cash – flow-through units	4,204,250	3,363,400
Issued for corporate finance fee	50,000	26,500
Issued on exercise of warrants	1,496,740	1,112,868
Fair value of warrants issued	-	(1,270,822)
Fair value of broker warrants issued	-	(276,171)
Fair value of warrants exercised	-	433,614
Fair value of warrants expired	-	368,033
Issued on exercise of stock options	100,000	100,000
Fair value of stock options exercised	-	75,607
Share issue costs	-	(845,880)
Balance, March 31, 2010	45,324,990	30,970,867

##### Private placement

On July 22, 2009 the Company completed a private placement of 4,600,000 units at a price of \$0.53 per unit for gross proceeds of \$2,438,000. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.75 per common share until July 22, 2010. In connection with the offering, the Company issued to the agents 50,000 common shares with a value of \$26,500 and

324,000 broker warrants entitling the holder to purchase one common share at a price of \$0.75 per common share until July 22, 2010.

The fair value of the warrants and broker warrants of \$391,554 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.58%
Expected volatility	100%
Expected life of warrants	1 year
Expected dividend yield	Nil

#### Prospectus offering

On December 15, 2009 the Company completed a prospectus offering of 5,124,000 units at a price of \$0.70 per unit for gross proceeds of \$3,586,800. Each unit consisted of one common share and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.80 per common share until June 15, 2011. The Company also completed an offering of 4,204,250 common shares issued on a flow-through basis under the Income Tax Act (Canada) at a price of \$0.80 per share for gross proceeds of \$3,363,400. In connection with the prospectus offering, the Company issued to the agents 594,147 broker warrants entitling the holder to purchase one common share at a price of \$0.70 per common share until June 15, 2011.

The fair value of the warrants and broker warrants of \$1,155,439 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.82%
Expected volatility	122%
Expected life of warrants	1.5 years
Expected dividend yield	Nil

#### Warrants

A summary of the Company's warrants is presented below:

	Number of warrants	Amount \$
Balance, June 30, 2008	3,180,000	1,504,095
Fair value of warrants issued	2,000,000	497,422
Fair value of warrants issued to agents	285,000	70,883
Fair value of warrants issued to Mishkeegogamang First Nation	200,000	73,803
Balance, June 30, 2009	5,665,000	2,146,203
Fair value of warrants issued	4,862,000	1,270,822
Fair value of broker warrants	918,147	276,171
Fair value of warrants exercised	(1,496,740)	(433,614)
Fair value of warrants expired	(1,479,760)	(368,033)
Balance, March 31, 2010	8,468,647	2,891,549

	Number of warrants	Weighted average exercise price \$
Balance, June 30, 2008	3,180,000	1.30
Issued	2,485,000	0.68
Balance, June 30, 2009	5,665,000	1.03
Issued	5,780,147	0.77
Exercised	(1,496,740)	0.74
Expired	(1,479,760)	0.70
Balance, March 31, 2010	8,468,647	0.96

<b>Exercise price</b>	<b>Number of warrants outstanding</b>	<b>Expiry date</b>
\$1.00	805,000	May 13, 2010
\$1.40	2,375,000	May 13, 2010
\$0.75	2,544,000	July 22, 2010
\$0.80	1,950,500	June 15, 2011
\$0.70	594,147	June 15, 2011
\$0.49	200,000	July 8, 2014
	<b>8,468,647</b>	

### Stock options

The Company has adopted a stock option plan for directors, officers, employees and consultants. The maximum number of common shares reserved for issuance pursuant to the stock option plan together with any common shares reserved for issuance pursuant to any other security-based compensation arrangement shall be 10% of the issued and outstanding common shares.

The exercise price of each stock option will be determined by the Board of Directors at the time of grant, provided that the exercise price cannot be lower than the market value of the common shares as determined by the Board of Directors or, if the common shares are listed and posted for trading on the TSX, the volume weighted-average trading price of the common shares for each of the last five trading days immediately preceding the date of grant. The Board of Directors shall have the discretion to determine the term and vesting provisions of any options granted under the stock option plan at the time of grant.

A summary of the Company's stock option plan activity is presented below:

	<b>Number of options</b>	<b>Weighted average exercise price</b>
		<b>\$</b>
Balance, June 30, 2008 and June 30, 2009	2,515,000	1.01
Granted	895,000	1.10
Exercised	(100,000)	1.00
Balance, March 31, 2010	3,310,000	1.04
Options exercisable	2,846,667	

A summary of the stock options granted and the assumptions for the calculation of the fair value of those stock options using the Black Scholes option pricing model is presented below:

<b>Date of grant</b>	August 10, 2009
Options granted	895,000
Exercise price	\$1.10
Expiry date	August 10, 2014
Fair value	\$703,097
Expected volatility	100%
Expected life of options	5 years
Expected dividend yield	0%

A summary of the Company's stock options outstanding and exercisable at March 31, 2010 is presented below:

<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Expiry date</b>
\$1.00	2,015,000	1,601,667	May 13, 2013
\$1.08	400,000	350,000	May 28, 2013
\$1.10	895,000	895,000	August 10, 2014
	<u>3,310,000</u>	<u>2,846,667</u>	

#### **Contributed surplus**

	<b>\$</b>
Balance, June 30, 2008	1,246,372
Stock-based compensation	<u>352,990</u>
Balance, June 30, 2009	1,599,362
Stock-based compensation	967,840
Exercise of stock options	<u>(75,608)</u>
Balance, March 31, 2010	<u>2,491,594</u>

#### **6. Capital disclosures**

Capital of the Company consists of the components of shareholders' equity. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource property for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company will spend its existing working capital and raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the period.

#### **7. Financial instruments and risk management**

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk interest rate risk and commodity price risk.

##### **Fair value**

The carrying value of cash, accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

##### **Currency risk**

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash in Canadian dollars.

##### **Credit risk**

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions and by holding no 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 come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 6. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

**8. Related party transactions**

For the 9 months ended March 31, 2010, consulting fees of \$36,000 (2009 - \$36,000) were expensed for a company controlled by an officer of the Company and salaries & benefits included \$165,000 (2008 - \$165,000) paid or payable to the President of the Company. Public company costs included \$9,595 (2009 - \$9,873) paid or payable to a company controlled by an officer of the Company.

Mineral resource property included \$3,321,185 (2009 - \$2,231,117) of exploration expenditures paid or payable to Fladgate Exploration Consulting ("Fladgate") for its services and the services of third-party suppliers to Fladgate, as follows:

	<b>9 months ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Paid or payable to Fladgate</b>		
Geological consulting and management fees	1,162,382	967,852
<b>Paid or payable to third-party suppliers to Fladgate</b>		
Directional and drill hole surveying	638,517	5,495
Surveying & geophysics	268,463	137,926
Assays	513,588	240,528
Other exploration costs	738,235	879,316
	<u>2,158,803</u>	<u>1,263,265</u>
<b>Total</b>	<u>3,321,185</u>	<u>2,231,117</u>

An officer of the Company is an officer of Fladgate.

These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

Prepaid expenses and deposits include a deposit of \$150,000 (June 30, 2009 - \$150,000) paid to Fladgate. Accounts payable and accrued liabilities included \$357,606 (June 30, 2009 - \$75,277) due to Fladgate, \$118,333 (June 30, 2009 - \$118,333) due to the President of the Company, and \$1,326 (June 30, 2009 - \$1,187) due to a company controlled by an officer of the Company.

**9. Subsequent event****Private placement**

On April 20, 2010, the Company completed a private placement offering of 5,000,000 common shares issued on a flow-through basis under the Income Tax Act (Canada) at a price of \$1.82 per share for gross proceeds of \$9,100,000. In connection with the financing, the Company paid a commission of \$546,000, representing 6% of proceeds of the financing.