

PC Gold Inc.

(an exploration stage company)

Financial Statements

June 30, 2009

AUDITORS' REPORT

**To the Shareholders of
PC Gold Inc.
(an exploration stage company)**

We have audited the balance sheets of PC Gold Inc. as at June 30, 2009 and 2008 and the statements of operations and deficit and cash flows for the periods then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the periods then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP
Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
August 21, 2009

PC Gold Inc.

(an exploration stage company)

Balance Sheets

	As at June 30,	
	2009	2008
	\$	\$
Assets		
Current		
Cash	2,232,202	6,984,456
Receivables	34,386	44,119
Prepaid expenses and deposits	269,244	179,234
	<u>2,535,832</u>	<u>7,207,809</u>
Reclamation deposit	110,633	108,841
Capital assets (note 4)	49,839	71,199
Mineral resource property (note 5)	20,410,023	14,717,768
	<u>23,106,327</u>	<u>22,105,617</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	413,379	289,103
Shareholders' equity		
Share capital (note 6)	21,858,918	20,620,978
Warrants (note 6)	2,146,203	1,504,095
Contributed surplus (note 6)	1,599,362	1,246,372
Deficit	(2,911,535)	(1,554,931)
	<u>22,692,948</u>	<u>21,816,514</u>
	<u>23,106,327</u>	<u>22,105,617</u>

See accompanying notes to financial statements

Subsequent events (note 11)

Approved by the Board:

(signed) Kevin Keough
Director

(signed) William Fisher
Director

PC Gold Inc.

(an exploration stage company)

Statements of Operations and Deficit

	Year ended June 30, 2009 \$	October 17, 2007 to June 30, 2008 \$ (note 1)	Cumulative since October 17, 2007 \$ (note 1)
General and administrative expenses			
Professional fees	51,422	31,330	82,752
Salaries & benefits	373,159	14,660	387,819
Consulting fees	48,000	94,542	142,542
Directors' fees	93,333	20,917	114,250
Stock-based compensation	352,990	1,246,372	1,599,362
Premises	20,290	8,015	28,306
Office, general and administration	49,237	15,326	64,564
Public company costs	74,127	17,262	91,388
Investor relations	312,767	117,891	430,657
Travel	12,781	7,344	20,125
Amortization	21,360	3,748	25,108
	<u>1,409,466</u>	<u>1,577,407</u>	<u>2,986,873</u>
Loss and comprehensive loss before the following item	(1,409,466)	(1,577,407)	(2,986,873)
Interest income	52,862	22,476	75,338
Loss and comprehensive loss for the period	<u>(1,356,604)</u>	<u>(1,554,931)</u>	<u>(2,911,535)</u>
Deficit, beginning of period	(1,554,931)	-	-
Deficit, end of period	<u>(2,911,535)</u>	<u>(1,554,931)</u>	<u>(2,911,535)</u>
Loss per share - basic and diluted	<u>(0.05)</u>	<u>(0.21)</u>	
Weighted average number of shares outstanding - basic and diluted	<u>26,920,548</u>	<u>7,350,584</u>	

See accompanying notes to financial statements

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(an exploration stage company)

Statements of Cash Flows

	Year ended June 30, 2009 \$	October 17, 2007 to June 30, 2008 \$ (note 1)	Cumulative since October 17, 2007 \$ (note 1)
Cash provided by (used in)			
Operating activities			
Loss for the period	(1,356,604)	(1,554,931)	(2,911,535)
Amortization	21,360	3,748	25,108
Stock-based compensation	352,990	1,246,372	1,599,362
Changes in non-cash operating working capital:			
Prepaid expenses and deposits	(90,010)	(179,234)	(269,244)
Receivables	9,733	(44,119)	(34,386)
Accounts payable and accrued liabilities	124,276	289,102	413,378
	<u>(938,255)</u>	<u>(239,062)</u>	<u>(1,177,317)</u>
Financing activities			
Advances from a director	-	34,977	34,977
Advances	-	25,000	25,000
Issue of common shares	2,000,000	12,602,524	14,602,524
Share issue costs	(193,755)	(1,112,019)	(1,305,774)
	<u>1,806,245</u>	<u>11,550,482</u>	<u>13,356,727</u>
Investing activities			
Acquisition of reclamation deposit and mineral resource property	-	(3,828,268)	(3,828,268)
Reclamation deposit	(1,792)	-	(1,792)
Mineral resource property expenditures	(5,618,452)	(423,749)	(6,042,201)
Purchase of capital assets	-	(74,947)	(74,947)
	<u>(5,620,244)</u>	<u>(4,326,964)</u>	<u>(9,947,208)</u>
Net increase (decrease) in cash	<u>(4,752,254)</u>	<u>6,984,456</u>	<u>2,232,202</u>
Cash, beginning of period	<u>6,984,456</u>	<u>-</u>	<u>-</u>
Cash, end of period	<u>2,232,202</u>	<u>6,984,456</u>	<u>2,232,202</u>
Non-cash transactions			
Shares issued as settlement of advances from a director	-	34,977	
Shares issued as settlement of advances	-	25,000	
Shares issued in acquisition of mineral resource property	-	9,500,000	
Shares issued for corporate finance fee	25,000	200,000	
Fair value of warrants issued to agents	70,883	429,504	
Fair value of warrants issued to Mishkeegogamang First Nation	73,803	-	
Supplementary information			
Interest paid	-	-	
Income taxes paid	-	-	

See accompanying notes to financial statements

PC Gold Inc.

(an exploration stage company)

Notes to Financial Statements

June 30, 2009

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.

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 amounts 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 June 30, 2009, the Company had working capital of \$2,122,453, which included cash of \$2,232,202, which is not sufficient to enable the Company to fund its operations and the exploration of mineral resource property. Subsequent to June 30, 2009, the Company completed a private placement (note 11) and is actively seeking to raise the necessary capital to meet its future funding requirements. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future, particularly in light of the current financial equity market conditions. Without additional funding to meet existing obligations and to finance its operations and the exploration of its mineral resource property, there is substantial doubt as to the Company's ability to continue as a going concern.

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*

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Financial instruments

Financial instruments are measured at fair value on initial recognition and valued in subsequent periods based upon their classification as held-for-trading, available for sale, held-to-maturity, loans and receivables or other liabilities. Financial assets and liabilities classified as held-for-trading are valued at fair value with gains and losses recognized in income. Financial assets classified as available-for-sale are valued at fair value with unrealized gains and losses recognized in other comprehensive income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities classified as other liabilities are valued at amortized cost using the effective interest rate method. The Company has classified its cash as held-for-trading and accounts payable and accrued liabilities as other liabilities. Transactions are accounted for on the trade date.

Transaction costs

Transaction costs for financial instruments classified as held-for-trading are expensed as incurred.

Capital assets

Capital assets are recorded at cost. Amortization is recorded on a declining balance basis over the estimated useful life of the asset using the following rates:

Mining equipment	30%
Office furniture & equipment	30%

Mineral resource property

Costs relating to the acquisition, exploration and development of mineral resource property are deferred until the property is brought into commercial production, at which time they are amortized over the estimated useful life of the property on a unit-of-production basis. The cost of mineral resource property includes the cash consideration and the fair value of shares issued on the date the property is acquired. The proceeds from options granted on the property are credited to the cost of the property. When a property is determined to be non-commercial, non-productive or its value otherwise impaired, those costs in excess of estimated recoveries are charged to operations.

Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. There are no asset retirement obligations as at June 30, 2009 and 2008.

Stock-based compensation

The Company enters into transactions in which services are the consideration received for the issuance of stock or stock based instruments. The value of these transactions are measured and accounted for, based on the fair value of the equity instruments issued or the value of the services, whichever is more reliably measurable. Stock-based compensation for employees is expensed over the vesting period of the instrument. Stock-based compensation for non-employees is expensed over the period the service is provided.

Income taxes

Income taxes are recorded using the asset and liability method of income tax allocation. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of substantive enactment at the time that the differences are expected to reverse.

Loss per share

The basic loss per share is calculated by dividing the loss applicable to the common shares by the weighted average number of common shares outstanding since incorporation. Diluted loss per share is calculated using the treasury stock method and reflects the potential dilution by including stock options and warrants, in the weighted average number of common shares outstanding for the year, if dilutive. As the Company incurred net losses for the year ended June 30, 2009, the dilutive effect of outstanding options and warrants and their equivalents is not reflected in diluted earnings per share because their effect would be anti-dilutive.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the reporting period. Significant areas requiring the use of management estimates include the carrying value of the mineral resource property and stock-based compensation. Actual results could differ from those estimates.

Accounting changes

On July 1, 2008, the Company adopted amendments to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" which includes requirements to assess and disclose an entity's ability to continue as a going concern; disclosure of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern; disclosure of when financial statements are not prepared on a going concern basis, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern. Beyond additional disclosure in note 1, the adoption of this new accounting standard did not have an effect on the Company's financial statements.

On March 27, 2009, the Company adopted CICA Emerging Issues Committee EIC-174, "Mining Exploration Costs". EIC-174 provides guidance on the capitalization of exploration costs related to mineral properties, when impairment should be assessed to determine whether a writedown is required and the conditions that indicate impairment. The adoption of EIC-174 did not have an effect on the Company's financial statements.

Future accounting changes

On July 1, 2009, the Company will adopt CICA Handbook Section 3064, "Goodwill and Intangible Assets" which will replace 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 will adopt 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.

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. Asset acquisition

On May 13, 2008, the Company acquired a 100% interest in a mining lease expiring July 31, 2067, which covers the Pickle Crow Property, consisting at the time of acquisition of 98 patented mineral claims totalling 1,533 hectares located in Connell and McCullagh Townships, Patricia Mining Division, near the town of Pickle Lake, Ontario, hosting the past producing Pickle Crow gold mine, together with all surface infrastructure including a mill, stockpiles, equipment and tailings.

Purchase price	\$
Cash	3,500,000
9,500,000 common shares of the Company at \$1.00 per common share	9,500,000
2,375,000 warrants entitling the holder to purchase one common share of the Company at a price of \$1.40 per common share until May 13, 2010	1,074,591
Reimbursement of costs incurred by the vendors for the care and maintenance of the Pickle Crow Property from November 2, 2007 to May 13, 2008	43,364
Acquisition costs	284,905
	14,402,860

Net assets acquired	
Reclamation deposit	108,841
Mineral resource property	14,294,019
	14,402,860

The fair value of the warrants of \$1,074,591 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.73%
Expected volatility	100%
Expected life of warrants	2 years
Expected dividend yield	Nil

In addition to a 1% net smelter royalty in favour of the vendors, the Company's interest in the Pickle Crow Property is also subject to a 0.25% net smelter royalty in favour of Caspian Energy Inc. On May 1, 2008, the Company paid Caspian Energy Inc. \$10,000 to acquire an option to purchase the 0.25% net smelter royalty for \$1,000,000 until May 1, 2013.

4. Capital assets

	2009	2008
	\$	\$
Mining equipment	56,700	56,700
Accumulated amortization	18,995	2,836
	37,705	53,864
Office furniture & equipment	18,247	18,247
Accumulated amortization	6,113	912
	12,134	17,335
	49,839	71,199

5. 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, Ontario. 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 totalling 165 units or 2,579 hectares, and (c) a single non-contiguous non-patented claim comprising 5 hectares.

As of June 30, 2009, accumulated costs with respect to the Company's interest in the Pickle Crow Property consisted of the following:

	Acquisition cost	Exploration expenditures	Total
	\$	\$	\$
Balance, October 17, 2007	-	-	-
Expenditures	14,294,019	423,749	14,717,768
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

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.

On May 8, 2009, the Company signed an Exploration Memorandum of Understanding with the Mishkeegogamang First Nation ("Mishkeegogamang") in order to promote a cooperative and mutually respectful relationship with respect to the Company's exploration of the Pickle Crow Property. The agreement establishes a framework for ongoing dialogue and consultation, including providing business, employment and training opportunities for members of Mishkeegogamang. This agreement allows the Company to continue exploration until a favourable feasibility study is completed and the Company elects to proceed with a recommissioning, construction or development of the Property, at which time, the parties will negotiate an Impact Benefit Agreement.

In connection with the Exploration Memorandum of Understanding, the Company agreed to issue 200,000 common share purchase warrants (see note 6) and make a quarterly payment to the Mishkeegogamang Community Fund based on 2% of on-site exploration expenditures incurred.

6. Share capital

Authorized

An unlimited number of common shares without par value.

Issued

	Common shares	
	Number of shares	Amount \$
Balance, October 17, 2007	-	-
Issued for cash	4,200,152	1,102,524
Issued to settle advances from a director	233,182	34,977
Issued to settle advances	66,666	25,000
Issued pursuant to initial public offering	11,500,000	11,500,000
Issued for corporate finance fee	200,000	200,000
Issued for acquisition of mineral resource property	9,500,000	9,500,000
Fair value of warrants issued to agents	-	(429,504)
Share issue costs	-	(1,312,019)
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 warrants issued to agents	-	(70,883)
Share issue costs	-	(218,755)
Balance, June 30, 2009	29,750,000	21,858,918

Private placements

On October 20, 2007, the Company issued 500,000 common shares to a director for proceeds of \$1.

On November 21, 2007, the Company issued 1,266,818 common shares to a director for proceeds of \$190,023 and 233,182 common shares in settlement of advances of \$34,977 from a director.

On January 18, 2008, the Company completed a private placement of 2,433,334 common shares for proceeds of \$912,500 and 66,666 common shares to settle an advance of \$25,000.

On March 12, 2009, the Company completed a private placement of 4,000,000 units at a price of \$0.50 per unit for gross proceeds of \$2,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.70 per common share until March 12, 2010. In connection with the offering, the Company issued to the agents 50,000 common shares with a value of \$25,000 and 285,000 common share purchase warrants entitling the holder to purchase one common share at \$0.70 per common share until March 12, 2010.

The fair value of the warrants of \$568,305 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

Offering

On May 13, 2008, the Company completed an initial public offering of 11,500,000 common shares at a price of \$1.00 per common share for gross proceeds of \$11,500,000. In connection with the Offering, the Company (i) paid to the Agents a commission of \$805,000 equal to 7% of the gross proceeds of the Offering and issued 200,000 common shares for a corporate finance fee of \$200,000; (ii) issued to the Agents 805,000 common share purchase warrants entitling the holders to purchase one common share at a price of \$1.00 per common share until May 13, 2010; and (iii) paid Agent costs of \$50,000.

The fair value of the warrants issued to the Agents was \$429,504 and was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.73%
Expected volatility	100%
Expected life of warrants	2 years
Expected dividend yield	Nil

Prior to the Offering, principals of the Lead Agent owned 750,000 common shares of the Company.

Warrants

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

	Number of warrants	Amount \$
Balance, October 17, 2007	-	-
Fair value of warrants issued for acquisition of mineral resource property (note 3)	2,375,000	1,074,591
Fair value of warrants issued to agents	805,000	429,504
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

On May 8, 2009, the Company agreed to issue 200,000 warrants to the Mishkeegogamang First Nation in respect of an Exploration Memorandum of Understanding. These warrants were issued on July 8, 2009. Each warrant entitles the holder to purchase one common share at a price of \$0.49 until July 8, 2014. The fair value of warrants of \$73,803 was included in mineral resource property and was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.57%
Expected volatility	100%
Expected life of warrants	5 years
Expected dividend yield	Nil

	Number of warrants	Weighted average exercise price \$
Balance, October 17, 2007	-	-
Issued	3,180,000	1.30
Balance, June 30, 2008	3,180,000	1.30
Issued	2,485,000	0.68
Balance, June 30, 2009	5,665,000	1.03

Exercise price	Number of warrants outstanding and exercisable	Expiry date
\$1.00	805,000	May 13, 2010
\$1.40	2,375,000	May 13, 2010
\$0.70	2,285,000	March 12, 2010
\$0.49	200,000	July 8, 2014
	5,665,000	

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:

	Number of options	Weighted average exercise price \$
Balance, October 17, 2007	-	-
Granted	2,515,000	1.01
Balance, June 30, 2008 and June 30, 2009	2,515,000	1.01

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:

Date of grant	May 13, 2008	May 28, 2008
Options granted	2,115,000	400,000
Exercise price	\$1.00	\$1.08
Expiry date	May 13, 2013	May 28, 2013
Fair value	\$1,599,086	\$323,851
Expected volatility	100%	100%
Expected life of options	5 years	5 years
Expected dividend yield	0%	0%

A summary of the Company's stock options outstanding and exercisable at June 30, 2009 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$1.00	2,115,000	1,701,667	May 13, 2013
\$1.08	400,000	350,000	May 28, 2013
	2,515,000	2,051,667	

Contributed surplus

	\$
Balance, October 17, 2007	-
Stock-based compensation	1,246,372
Balance, June 30, 2008	1,246,372
Stock-based compensation	352,990
Balance, June 30, 2009	1,599,362

7. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 33.5% (2008 – 33.5%) to the loss for the period. The reasons for the difference are as follows:

	2009 \$	2008 \$
Income tax recovery based on statutory rate	(455,000)	(521,000)
Stock-based compensation	64,000	334,000
Share issue costs	(114,000)	(82,000)
Changes in future tax rates	68,000	37,000
Increase in valuation allowance	437,000	232,000
	—	—

The Company's future income tax assets are as follows:

	2009 \$	2008 \$
Non-capital loss carryforward	669,000	232,000
Valuation allowance	(669,000)	(232,000)
	—	—

Due to losses incurred in the current period and expected future operating results, management has determined that it is not more likely than not that the future income tax assets will be realized, and accordingly, a valuation allowance has been recorded for the future income tax assets.

Losses carried forward

At June 30, 2009, the Company had non-capital loss carryforwards which expire as follows:

	\$
2028	800,000
2029	1,507,000
	2,307,000

Resource deductions

At June 30, 2009, the Company had resource deductions of \$20,410,023 (2008 - \$14,717,768) which may be carried forward indefinitely to reduce taxable income in future years.

8. 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 issue 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.

9. Financial instruments and risk management

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.

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

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.

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 8. 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.

10. Related party transactions

For the year ended June 30, 2009, consulting fees of \$60,000 (2008 - \$22,000) were incurred for two companies controlled by officers of the Company and salaries & benefits included \$280,000 (2008 - consulting fees of \$59,167) paid or payable to the President of the Company. Mineral resource property included \$2,601,774 (2008 - \$343,296) of exploration expenditures paid or payable to Fladgate Exploration Consulting ("Fladgate"). 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.

Accounts payable and accrued liabilities included \$75,277 (2008 - \$210,460) due to Fladgate and \$118,333 (2008 - \$2,581) due to a director and officer of the Company.

11. Subsequent events

Lease

On July 1, 2009, the Company entered into a one-year lease for staff accommodation premises in Pickle Lake, Ontario, at \$10,083 per month.

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 common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.75 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 common share purchase warrants entitling the holder to purchase one common share at \$0.75 per common share until July 22, 2010.

Grant of stock options

On August 10, 2009, the Company granted 895,000 stock options to directors, officers, employees and consultants of the Company. Each stock option entitles the holder to purchase one common share at a price of \$1.10 until August 10, 2014.