

# **PC Gold Inc.**

(an exploration stage company)

## **Financial Statements**

**For the 6 months ended December 31, 2008**

**(unaudited)**

# PC Gold Inc.

(an exploration stage company)

## Balance Sheets

	As at December 31, 2008 \$ (unaudited)	As at June 30, 2008 \$
<b>Assets</b>		
Current		
Cash	1,789,951	6,984,456
Receivables	221,950	44,119
Prepaid expenses and deposits	427,764	179,234
	<hr/> 2,439,665	<hr/> 7,207,809
Reclamation deposit	108,841	108,841
Capital assets (note 3)	60,519	71,199
Mineral resource property (note 4)	19,135,365	14,717,768
	<hr/> 21,744,390	<hr/> 22,105,617
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (note 8)	374,048	289,103
	<hr/>	<hr/>
<b>Shareholders' equity</b>		
Share capital (note 5)	20,620,978	20,620,978
Warrants (note 5)	1,504,095	1,504,095
Contributed surplus (note 5)	1,422,867	1,246,372
Deficit	(2,177,598)	(1,554,931)
	<hr/> 21,370,342	<hr/> 21,816,514
	<hr/>	<hr/>
	21,744,390	22,105,617

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 December 31, 2008 \$ (unaudited)	6 months ended December 31, 2008 \$ (unaudited)	October 17, 2007 to December 31, 2007 \$ (unaudited) (note 1)	Cumulative since October 17, 2007 \$ (unaudited) (note 1)
<b>General and administrative expenses</b>				
Professional fees	17,542	25,042	3,330	56,372
Salaries & benefits	76,797	160,343	-	175,003
Consulting fees	12,000	24,000	-	118,542
Directors' fees	30,333	48,083	-	69,000
Stock-based compensation	88,247	176,495	-	1,422,867
Premises	5,100	10,200	-	18,216
Office, general and administration	11,906	23,227	715	38,554
Public company costs	8,409	21,745	-	39,006
Investor relations	60,305	156,659	-	274,549
Travel	9,180	11,556	6,368	18,900
Amortization	5,340	10,680	-	14,428
	<u>325,159</u>	<u>668,030</u>	<u>10,413</u>	<u>2,245,437</u>
<b>Loss before the following item</b>	(325,159)	(668,030)	(10,413)	(2,245,437)
Interest income	14,262	45,363	-	67,839
<b>Loss for the period</b>	<u>(310,897)</u>	<u>(622,667)</u>	<u>(10,413)</u>	<u>(2,177,598)</u>
Deficit, beginning of period	(1,866,701)	(1,554,931)	-	-
<b>Deficit, end of period</b>	<u>(2,177,598)</u>	<u>(2,177,598)</u>	<u>(10,413)</u>	<u>(2,177,598)</u>
<b>Loss per share - basic and diluted</b>	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.01)</u>	
<b>Weighted average number of shares outstanding - basic and diluted</b>	<u>25,700,000</u>	<u>25,700,000</u>	<u>1,300,000</u>	

See accompanying notes to financial statements

# PC Gold Inc.

(an exploration stage company)

## Statements of Cash Flows

	3 months ended December 31, 2008 \$ (unaudited)	6 months ended December 31, 2008 \$ (unaudited)	October 17, 2007 to December 31, 2007 \$ (unaudited) (note 1)	Cumulative since October 17, 2007 \$ (unaudited) (note 1)
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Loss for the period	(310,897)	(622,667)	(10,413)	(2,177,598)
Amortization	5,340	10,680	-	14,428
Stock-based compensation	88,247	176,495	-	1,422,867
Changes in non-cash operating working capital:				
Prepaid expenses and deposits	4,953	(248,530)	-	(427,764)
Receivables	(111,503)	(177,831)	(2,621)	(221,950)
Accounts payable and accrued liabilities	(338,385)	84,945	72,387	374,047
	<u>(662,245)</u>	<u>(776,908)</u>	<u>59,353</u>	<u>(1,015,970)</u>
<b>Financing activities</b>				
Deferred share issue costs	-	-	(20,800)	-
Advances from a director	-	-	34,977	34,977
Advances	-	-	25,000	25,000
Issue of common shares	-	-	190,024	12,211,924
Common shares subscribed	-	-	390,600	390,600
Share issue costs	-	-	(15,515)	(1,112,019)
	<u>-</u>	<u>-</u>	<u>604,286</u>	<u>11,550,482</u>
<b>Investing activities</b>				
Deposit on acquisition of assets	-	-	(50,000)	(50,000)
Prepaid expenses and deposits	-	-	(45,000)	(45,000)
Acquisition of reclamation deposit and mineral resource property	-	-	-	(3,733,268)
Mineral resource property expenditures	(2,282,209)	(4,417,597)	-	(4,841,346)
Deferred acquisition costs	-	-	(28,015)	-
Purchase of capital assets	-	-	-	(74,947)
	<u>(2,282,209)</u>	<u>(4,417,597)</u>	<u>(123,015)</u>	<u>(8,744,561)</u>
<b>Net increase (decrease) in cash</b>	(2,944,454)	(5,194,505)	540,624	1,789,951
<b>Cash, beginning of period</b>	4,734,405	6,984,456	-	-
<b>Cash, end of period</b>	<u>1,789,951</u>	<u>1,789,951</u>	<u>540,624</u>	<u>1,789,951</u>
<b>Non-cash transactions</b>				
Shares issued as settlement of advances from a director	-	-	34,977	
Shares issued as settlement of advances	-	-	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

December 31, 2008

(unaudited)

### 1. *Nature and continuance of operations*

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 its continued operations are dependent upon the ability of the Company to obtain financing for the continued exploration and development of the Pickle Crow 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 the Pickle Crow Property.

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

The Company has not yet determined whether the Pickle Crow Property contains ore reserves that are economically recoverable.

### 2. **Accounting presentation and disclosures**

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. 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, 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, the adoption of this new accounting standard 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 3031, "Inventories", which will replace Section 3030. The new standard requires that inventories be measured at the lower of cost and the net realizable value, provides guidelines on determining cost, prohibits the use of the last-in, first-out method (LIFO) and requires the reversal of a previous write-down when the value of inventories increases.

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 EIC27, Revenues and Expenses during the pre-operating period.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

### **International Financial Reporting Standards (“IFRS”):**

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles (“GAAP”) with IFRS over an expected five year transitional period.

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 phase 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 2009.

### **3. Capital assets**

	<b>As at December 31, 2008</b>	<b>As at June 30, 2008</b>
	<b>\$</b>	<b>\$</b>
Mining equipment	56,700	56,700
Accumulated amortization	10,915	2,836
	<hr/> 45,785	<hr/> 53,864
Office furniture & equipment	18,247	18,247
Accumulated amortization	3,513	912
	<hr/> 14,734	<hr/> 17,335
	<hr/> 60,519	<hr/> 71,199

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

As of December 31, 2008, accumulated costs with respect to the Company's interest in the Pickle Crow Property consisted of the following:

	<b>\$</b>
Balance, October 17, 2007	-
Acquisition cost	14,294,019
Exploration expenditures	423,749
Balance, June 30, 2008	<hr/> 14,717,768
Exploration expenditures	4,417,597
Balance, December 31, 2008	<hr/> 19,135,365

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, 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
Share issue costs	-	(1,312,019)
Fair value of warrants issued to agents	-	(429,504)
Balance, June 30, 2008 and December 31, 2008	25,700,000	20,620,978

### 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 and December 31, 2008	3,180,000	1,504,095

	Number of share purchase warrants	Weighted average exercise price \$
Balance, October 17, 2007	-	-
Issued	3,180,000	1.30
Balance, June 30, 2008 and December 31, 2008	3,180,000	1.30

Exercise price	Number of warrants outstanding	Expiry date
\$1.00	805,000	May 13, 2010
\$1.40	2,375,000	May 13, 2010
	3,180,000	

### 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:

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Balance, October 17, 2007	-	-
Granted	2,515,000	1.01
Balance, June 30, 2008 and December 31, 2008	2,515,000	1.01
Options exercisable	1,588,333	

A summary of the Company's stock options outstanding and exercisable at December 31, 2008 is presented below:

<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options Exercisable</b>	<b>Expiry date</b>
\$1.00	2,115,000	1,288,333	May 13, 2013
\$1.08	400,000	300,000	May 28, 2013
	2,515,000	1,588,333	

#### **Contributed surplus**

	<b>\$</b>
Balance, October 17, 2007	-
Stock-based compensation	1,246,372
Balance, June 30, 2008	1,246,372
Stock-based compensation	176,495
Balance, December 31, 2008	1,422,867

#### **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 annual 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.

#### **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.

##### **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 6 months ended December 31, 2008, consulting fees of \$30,000 were expensed for two companies controlled by officers of the Company and salaries & benefits included \$110,000 paid or payable to a director and officer of the Company. Mineral resource property included \$1,896,742 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 \$22,110 due to Fladgate.