

# **PC Gold Inc.**

(an exploration stage company)

## **Financial Statements**

**For the 3 months ended September 30, 2008**

# PC Gold Inc.

(an exploration stage company)

## Balance Sheets

	As at September 30, 2008 \$ (unaudited)	As at June 30, 2008 \$
<b>Assets</b>		
Current		
Cash	4,734,405	6,984,456
Receivables	110,447	44,119
Prepaid expenses and deposits	432,718	179,234
	5,277,570	7,207,809
Reclamation deposit	108,841	108,841
Capital assets (note 4)	65,859	71,199
Mineral resource property (note 5)	16,853,156	14,717,768
	22,305,426	22,105,617
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (note 9)	712,433	289,103
<b>Shareholders' equity</b>		
Share capital (note 6)	20,620,978	20,620,978
Warrants (note 6)	1,504,095	1,504,095
Contributed surplus (note 6)	1,334,620	1,246,372
Deficit	(1,866,700)	(1,554,931)
	21,592,993	21,816,514
	22,305,426	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 September 30, 2008 \$ (unaudited)	Cumulative since October 17, 2007 \$ (unaudited)
<b>General and administrative expenses</b>		
Professional fees	7,500	38,830
Salaries & benefits	83,546	98,206
Consulting fees	12,000	106,542
Directors' fees	17,750	38,667
Stock-based compensation (note 6)	88,248	1,334,620
Premises	5,100	13,116
Office, general and administration	11,321	26,648
Public company costs	13,336	30,597
Investor relations	96,354	214,244
Travel	2,376	9,720
Amortization	5,340	9,088
	<hr/> 342,871	<hr/> 1,920,278
<b>Loss before the following item</b>	(342,871)	(1,920,278)
Interest income	31,101	53,577
<b>Loss for the period</b>	<hr/> (311,770)	<hr/> (1,866,701)
Deficit, beginning of period	(1,554,931)	-
<b>Deficit, end of period</b>	<hr/> (1,866,701)	<hr/> (1,866,701)
<b>Loss per share - basic and diluted</b>	<hr/> (0.01)	
<b>Weighted average number of shares outstanding - basic and diluted</b>	<hr/> 25,700,000	

*See accompanying notes to financial statements*

# PC Gold Inc.

(an exploration stage company)

## Statements of Cash Flows

	3 months ended September 30, 2008 \$ (unaudited)	Cumulative since October 17, 2007 \$ (unaudited)
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the period	(311,770)	(1,866,701)
Amortization	5,340	9,088
Stock-based compensation	88,248	1,334,620
Changes in non-cash operating working capital:		
Prepaid expenses and deposits	(253,483)	(432,717)
Receivables	(66,328)	(110,447)
Accounts payable and accrued liabilities	423,330	712,432
	(114,663)	(353,725)
<b>Financing activities</b>		
Advances from a director	-	34,977
Advances	-	25,000
Issue of common shares	-	12,602,524
Share issue costs	-	(1,112,019)
	-	11,550,482
<b>Investing activities</b>		
Acquisition of reclamation deposit and mineral resource property	-	(3,828,268)
Mineral resource property expenditures	(2,135,388)	(2,559,137)
Purchase of capital assets	-	(74,947)
	(2,135,388)	(6,462,352)
<b>Net increase (decrease) in cash</b>	(2,250,051)	4,734,405
<b>Cash, beginning of period</b>	6,984,456	-
<b>Cash, end of period</b>	4,734,405	4,734,405
<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

September 30, 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 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.

#### 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 AcSB confirmed that IFRS will be mandatory in Canada for publicly held entities for fiscal periods beginning on or after January 1, 2011. The Company's first IFRS financial statements will be for the year ending June 30, 2012 and will include the comparative period for 2011. Beginning with the first quarter of 2011, the Company will provide

unaudited consolidated financial information in accordance with IFRS including comparative figures for 2010. The Company is evaluating accounting policy differences between Canadian GAAP and IFRS based on management's current understanding of these standards. However, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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

### 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 totaling 1,582.3 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.

<b>Purchase price</b>	<b>\$</b>
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
	<hr/> 14,402,860

<b>Net assets acquired</b>	
Reclamation deposit	108,841
Mineral resource property	14,294,019
	<hr/> 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

### 4. Capital assets

	<b>As at September 30, 2008</b>	<b>As at June 30, 2008</b>
	<b>\$</b>	<b>\$</b>
Mining equipment	56,700	56,700
Accumulated amortization	6,876	2,836
	<hr/> 49,824	<hr/> 53,864
Office furniture & equipment	18,247	18,247
Accumulated amortization	2,212	912
	<hr/> 16,035	<hr/> 17,335
	<hr/> 65,859	<hr/> 71,199

## 5. Mineral resource property

The Company has a 100% interest in the Pickle Crow Property which consists of 4,162 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 1,582.3 hectares and (b) 18 contiguous non-patented claims totaling 165 units or 2,579 hectares.

As of September 30, 2008, accumulated costs with respect to the Company's interest in the Pickle Crow Property consisted of the following:

	\$
Balance, October 17, 2007	-
Acquisition cost	14,294,019
Exploration expenditures	423,789
Balance, June 30, 2008	14,717,768
Exploration expenditures	2,135,388
Balance, September 30, 2008	16,853,156

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.

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

### 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.

### 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
<b>Balance, June 30, 2008 and September 30, 2008</b>	<b>3,180,000</b>	<b>1,504,095</b>

	Number of share purchase warrants	Weighted average exercise price \$
Balance, October 17, 2007	-	-
Issued	3,180,000	1.30
<b>Balance, June 30, 2008 and September 30, 2008</b>	<b>3,180,000</b>	<b>1.30</b>

Exercise price	Number of warrants outstanding	Expiry date
\$1.00	805,000	May 13, 2010
\$1.40	2,375,000	May 13, 2010
	<b>3,180,000</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 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 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 September 30, 2008	2,515,000	1.01
Options exercisable	1,588,333	

A summary of the Company's stock options outstanding and exercisable at September 30, 2008 is presented below:

Exercise price	Options outstanding	Options Exercisable	Expiry date
\$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

	\$
Balance, October 17, 2007	-
Stock-based compensation	1,246,372
Balance, June 30, 2008	1,246,372
Stock-based compensation	88,248
Balance, September 30, 2008	1,334,620

#### 7. 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.

As the Company is in the exploration stage, its principal source of capital is from the issue of common shares. 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.

#### 8. 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.

**Commodity price risk**

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.

**9. Related party transactions**

For the 3 months ended September 30, 2008, consulting fees of \$15,000 were expensed for two companies controlled by officers of the Company and salaries & benefits included \$55,000 paid to a director and an officer of the Company. Mineral resource property included \$784,190 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 includes \$269,112 due to Fladgate.