

**PC GOLD INC.  
(the “Company”)**

**FORM 51-102F1  
MANAGEMENT’S DISCUSSION & ANALYSIS**

**Date**

This MD&A is dated February 12, 2009 and should be read in conjunction with the financial statements for the 6 months ended December 31, 2009.

**Overview**

The Company was incorporated under the laws of Ontario on October 17, 2007, and subsequently taken public through an Initial Public Offering (“IPO”) on the Toronto Stock Exchange on May 13, 2008, to consolidate leasehold ownership interests in, and explore and develop the past-producing Pickle Crow Gold Mine Property (“the Property”), located near the community of Pickle Lake in northwestern Ontario, Canada. The Pickle Crow Property is the Company’s sole property. The Property size presently stands at 4,117 hectares and the Company now holds 100% ownership of the Property’s mining lease, which expires July 31, 2067. The Company’s leasehold interest in the Property is additionally subject to two Net Smelter Return (NSR) royalties totaling 1.25%, both of which the Company has the option of purchasing in their entirety.

*History*

The Pickle Crow Property hosts the past-producing Pickle Crow Gold Mine. The Pickle Crow Mine was a very well known asset when in production and remains well known in the industry today. Operating continuously from April 1935 through September 1966, the mine produced in total 1,446,214 Troy oz. of gold and 168,757 Troy oz. of silver from 2,785,488 tonnes (3,070,475 tons) of ore milled. Average recovered grade over the life of the mine was 16.14 g/t Au (0.47 opt Au) and 1.88 g/t Ag (0.06 opt Ag). Gold production was derived almost entirely from high grade, narrow, quartz-carbonate veins.

The mine closed in 1966 not because the mineralized system had been mined out, but because the mine was losing money as operations extended to deeper levels and costs rose in a fixed gold price environment (\$US35/oz). The historical drilling record indicates and the Company’s own drilling has confirmed, that the high grade veins from which the bulk of the historical production was drawn remain open to depth below the workings, and in several cases lateral to them. Moreover, considerable volumes of gold in iron formation are known to have been left in place within, or proximal to, the historical workings, as the grade of this material was generally below the mine’s economic cut-off at the time (approx. 8.57 g/t). Several historical, non-NI 43-101 compliant estimates of the volume of gold mineralization remaining in the mine, or close to it, have been carried out. These historical estimates can be viewed in Section 5.4 of the Pickle Crow Property NI 43-101 Technical Report available from the Company’s website at [www.pcgold.ca](http://www.pcgold.ca), or from [www.sedar.com](http://www.sedar.com).

*Exploration by PC Gold*

A major exploration and development program commenced on the Property late in 2007, and was accelerated subsequent to the Company’s IPO in May 2008. The principal objectives of the exploration program are to quantify what remains within or in close proximity to the mine workings and to extend known gold zones, and make new discoveries, both lateral to the historical workings and at depth below the old mine. To oversee this effort, the Company has contracted Fladgate Exploration Consulting Corporation of Thunder Bay, Ontario ([www.fladgateexploration.com](http://www.fladgateexploration.com)).

Following extensive upgrades to roads, bridges, accommodations and on-site exploration facilities, the Pickle Crow Property is now a turn-key site capable of sustaining year-round exploration activities in all weather conditions.

### *Historical Data Digitization and 3D Mine Model Development*

A key objective of the Company's exploration effort has been to assemble and digitize the enormous body of historical data sets from the earliest days of exploration on the Property through the mine's active years and up to the present time. These historical data sets constitute one of the Company's most important assets, providing hard data to support quantification to current standards of what remains within or close to the mine, the planning of new exploration drilling programs, and a possible future renewal of mining operations on the Property.

### *Drilling*

In preparation for exploration drilling on the Property, the Company implemented, in 2008, a rigorous quality assurance / quality control (QA/QC) program to ensure best practices in sampling and analysis of drill core. The QA/QC program was established under the direct oversight of Mr. Neil Pettigrew, the Company's Vice President, Exploration, and Qualified Person as defined by NI 43-101. The details of this QA/QC program can be viewed on the Company's website at [www.pcgold.ca](http://www.pcgold.ca).

An initial phase of largely confirmatory drilling comprising 31 holes including 4 deep holes and wedges totaling 8,519 metres was carried out on the Property between August and November, 2008. The primary intent of this work was to confirm the historical drill results from selected target areas so that the historical data for these areas can be used with confidence in a future NI 43-101 compliant resource calculation.

The Company's exploration program currently comprises drilling of both shallow and deep targets located lateral to and below the historical workings, as well as drilling of newly identified regional targets to the north and south of the core mine trend.

### *Shallow Drilling*

A Phase II drill program got underway with a single shallow-capable drill in mid June 2009. The shallow drill was used in the first two quarters of the current fiscal year to follow up on promising intercepts made in the Albany Shaft area during the Fall 2008 Phase I drill program, and to explore the potential for disseminated-replacement style deposits south/southwest of the No. 3 Shaft, possibly associated with the contact of the Pickle Crow and Confederation Assemblages. These shallow drilling efforts resulted in the following significant discoveries in the first quarter:

1. A substantial, previously unrecognized, sedimentary basin between Shafts 1 and 3, including a thick unit of heavily sulphidized conglomerate with gold in cross-cutting structures (for example, **1.45 g/t gold over 16.70 metres** (hole PC-09-030)) (press release - August 10, 2009);
2. A zone of low grade disseminated gold bearing sulphides overlying the Pickle Crow – Confederation contact some 250 metres to the southwest of the No. 3 Shaft (for example, **0.54 g/t gold over 30 metres** (hole PC-09-034)) (press release - August 10, 2009);
3. The first high grade gold bearing veins to the south of the Pickle Crow – Confederation contact in the Confederation rocks proper (for example, **24.89 g/t gold over 0.40 metres** (hole PC-09-033)) (press release – August 10, 2009); and
4. The new Conduit Zone discovery at the Albany Shaft (for example, **3.17 g/t over 35.6 metres** including **9.53 g/t over 10.1 metres** (hole PC-09-036) and **2.11 g/t over 40.5 metres** including **5.55 g/t over 11.0 metres** (hole PC-09-037)) (press release - September 28, 2009)

The shallow drill continued to explore the potential of the Conduit Zone discovery throughout the second quarter. These efforts resulted in the expansion of the discovery from a single, roughly rod-shaped body ("CZ1") to three, with the confirmation (press release – November 4, 2009) of at least two adjacent, near surface gold zones ("CZ2" and "CZ3") of similar width and character to the original CZ1 discovery. Shortly after period end, on January 21, 2010, the Company announced that drilling of the CZ2 and CZ3 bodies adjacent to the southwest of CZ1 had returned encouraging intercepts, including **11.00 g/t gold**

over **3.5 metres (0.32 oz/ton over 11.5 feet)** in the CZ2 portion of the Conduit (hole PC-09-051), including **34.53 g/t gold over 1.05 metres (1.01 oz/ton over 3.4 feet)** and including **69.02 g/t gold over 0.50 metres (2.01 oz/ton over 1.6 feet)**.

The Company also announced in the same news release that drill holes targeting the Conduit zones have continued to intercept high grades in the underlying No. 14-16 vein system, including **17.21 g/t gold over 1.65 metres** in hole PC-09-047 and **17.39 g/t gold over 3.90 metres** in hole PC-08-020.

At period end, the shallow drill had wrapped up testing of the accessible portions of the three Conduit Zone bodies, pending establishment of winter access to possible down-plunge extensions beneath swamp to the north. 11,368 metres of shallow drilling in 30 holes was accomplished in the six months from July 1 to December 31, 2009, in addition to 2,043 metres in 4 deep holes (including hole extensions), for a grand total of 13,411 metres drilled during the first six months of the year.

#### *Geophysics*

In support of the shallow drilling program and with the objective of identifying new targets underlying large areas of swamp and muskeg north and south of the core mine trend, in August 2009 the Company retained Quantec Geoscience Ltd. to carry out a 115 line kilometre magnetometer survey as well as a 75 line kilometre ground based Titan 24 Induced Polarization / Resistivity (DCIP) survey over the areas in question. Survey field work was completed in November and a final report received from Quantec shortly before Christmas. As announced January 7, 2010, more than a dozen excellent new targets emerged from the survey. The Company also announced that in order to expedite testing of all the new targets while the winter cold-weather window allows, a second shallow-intermediate capable drill would be added to the program. The addition of the third drill will bring to three (two shallow, one deep) the number of drills active on the Property. The shallow drills are expected to be active continuously in the January through April period, with testing of all the new targets to be concluded prior to spring break-up.

#### *Deep Drilling*

The six months to quarter's end also saw the re-initiation (mid September) of deep drilling on the Property. The initial focus of deep drilling efforts was to complete wedge holes lateral to the No. 1 Shaft workings, which had been started during the Fall 2008 Phase I drill program but prematurely shut down due to economic conditions, prior to reaching target. These efforts were successful as, shortly after the drilling re-start, wedge hole PC-08-014AW03 drilled through multiple high grade veins. The results, as announced November 2, 2009, included:

- **112.15 g/t gold over 1.15 metres (3.27 oz/ton over 3.8 feet)** in the No. 5 Vein
- **38.77 g/t gold over 0.30 metres (1.13 oz/ton over 1.0 feet)** in the No. 11 Vein
- **10.99 g/t gold over 1.40 metres (0.32 oz/ton over 4.6 feet)** in a new vein hosted in iron formation

Following completion of wedge hole PC-08-014AW03, a fourth wedge hole, PC-09-014AW04, was commenced, targeting the No. 5 Banded Iron Formation (BIF) Zone southwest of the lowest level (3,800 feet/1,160 metres) of Shaft 1. During the quarter ending December 31, wedge hole PC-09-014AW04 was successfully completed, and the deep drill moved to a new site northeast of Shaft 1, where it commenced drilling a new mother hole, PC-09-052, to an ultimate vertical target depth of approximately 1,700 metres (5,600 feet) below surface, undercutting the deepest workings of the former mine. To December 31, 2009 approximately 1,000 metres of drilling had been accomplished on this mother hole or its wedges, which are designed to target some of richest historical ore bodies in the former mine including the No. 1, No. 5, and No. 9 veins in addition to the No. 1, Central and No. 5 BIF zones.

To period end, inclusive of shallow and deep drilling components, a total of approximately 15,600 metres of NQ-diameter diamond drilling in 34 holes had been completed on the Property by the Company since the commencement of Phase II drilling in mid June 2009.

#### *Exploration Goals & Milestones*

The Company's overriding goal is to demonstrate the existence on the Property of a substantial compliant gold resource base, and to grow that base as much as possible by expanding known gold zones and generating new discoveries. These goals will be pursued by, firstly, quantifying what remains within the historical workings; secondly, by drilling lateral to and below the historical workings; and thirdly, by drilling new targets located away from the core of the old mine.

Key near term objectives for the third and fourth quarters (months January through June, 2010) will be to:

- Complete the bulk of the historical data digitization and modeling process;
- Complete an initial deep hole and wedges below Shaft 1 to approximately the 1,700 metre vertical level;
- Complete testing of all newly-identified shallow targets that have emerged from the Fall 2009 Quantec geophysical survey.

#### *Financings*

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 flow-through common shares 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.

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

#### *Marketing Activities*

Management was active during the first half of the year marketing the Company at industry shows in Toronto, Montreal and San Francisco and broadening awareness of the Company through selective advertising on the web and in print.

#### *Website*

The core of the Company's efforts to keep shareholders well informed, and to educate new investors, is the corporate website at [www.pcgold.ca](http://www.pcgold.ca). All news releases, promotional and marketing activities and initiatives are linked to it, in a manner designed to channel visitor traffic to the site. The greater market visibility that the website affords has greatly assisted management's efforts to broaden awareness of the Company.

*Environment*

The Company is presently engaged with the Ontario Ministry of Northern Development and Mines in a process to complete a certified amendment to the Pickle Crow Production Closure Plan dated July 2002. This process, which is expected to include a review of the environmental condition of the Property by an independent environmental consulting firm and an assessment of the potential costs of remediating historical open pits, tailings areas, and mill and other infrastructure sites, will determine what new funds, if any, in addition to those already held by the Ministry on the Company's behalf, may be required to cover rehabilitation of the mine site following a permanent closure of the Pickle Crow Property.

**Risks and Uncertainties**

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 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 Company is subject to numerous risk factors that may affect its business prospects in the future. These risks include, but are not limited to, the Company's access to additional capital to fund future activities, its reliance on the Pickle Crow Property as its sole asset, the loss of its mineral property or the inability to obtain exploration licenses, the inherently risky nature of the Company's activities, price fluctuations for gold and silver, title risks, political and regulatory risks related to prospecting, development, mining, labour standards, occupational health and safety, waste disposal, land use, water use, environmental protection, land claims of indigenous people and other matters, statutory and regulatory compliance, the adequacy and availability of insurance coverage, competition for equipment and skilled personnel, liquidity risk, and the Company's dependence upon key employees and consultants.

**Results of Operations****6 months ended December 31**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>General and administrative expenses</b>		
Professional fees	28,426	25,042
Salaries and benefits	196,528	160,343
Consulting fees	24,000	24,000
Directors' fees	51,417	48,083
Stock-based compensation	879,592	176,495
Premises	10,050	10,200
Office, general and administration	26,673	23,227
Public company costs	43,778	21,745
Investor relations	159,564	156,659
Travel	6,868	11,556
Amortization	7,476	10,680
	<u>1,434,372</u>	<u>668,030</u>
<b>Loss and comprehensive loss before the following item</b>	(1,434,372)	(668,030)
Interest income	2,698	45,363
<b>Loss and comprehensive loss for the period</b>	<u>(1,431,674)</u>	<u>(622,667)</u>

The increase in the loss for the 6 months ended December 31, 2009 compared to the same period in the previous year is primarily the result of stock-based compensation of \$879,592 recorded for stock options issued.

**3 months ended December 31**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>General and administrative expenses</b>		
Professional fees	20,402	17,542
Salaries and benefits	60,373	76,797
Consulting fees	12,000	12,000
Directors' fees	26,750	30,333
Stock-based compensation	88,248	88,247
Premises	5,025	5,100
Office, general and administration	13,491	11,906
Public company costs	17,252	8,409
Investor relations	77,310	60,305
Travel	4,974	9,180
Amortization	3,738	5,340
	<u>329,563</u>	<u>325,159</u>
<b>Loss and comprehensive loss before the following item</b>	(329,563)	(325,159)
Interest income	933	14,262
<b>Loss and comprehensive loss for the period</b>	<u>(328,630)</u>	<u>(310,897)</u>

### Summary of Quarterly Results

The summary of quarterly results has been prepared in accordance with Canadian generally accepted accounting principles.

	<b>Q3 FY 2008</b>	<b>Q4 FY 2008</b>	<b>Q1 FY 2009</b>	<b>Q2 FY 2009</b>	<b>Q3 FY 2009</b>	<b>Q4 FY 2009</b>	<b>Q1 FY 2010</b>	<b>Q2 FY 2010</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Interest revenue</b>	4,386	18,089	31,101	14,262	4,026	3,473	1,765	933
<b>Loss</b>								
- Total	63,132	1,481,387	311,770	310,897	337,167	396,770	1,103,044	326,852
- Per share	0.02	0.09	0.01	0.01	0.01	0.01	0.03	0.01

The Company was incorporated on October 17, 2007 and the results of operations for the third quarter of 2008 reflect expenditures incurred in respect of the organization of the Company and the generation and negotiation of the acquisition of the Pickle Crow Property, which was completed on May 13, 2008.

The loss of \$1,481,387 for the fourth quarter of 2008 includes stock-based compensation of \$1,246,372 for stock options granted during the period.

The loss of \$1,103,044 for the first quarter of 2010 includes stock-based compensation of \$791,344 for stock options granted during the period.

### Overall Performance

Net loss for the 6 months ended December 31, 2009 was \$1,431,674, which included \$887,068 related to non-cash charges for stock compensation and amortization.

Exploration expenses capitalized to the Company's mineral resource property for the six months ended December 31, 2009 totalled \$3,943,428.

### Liquidity and Capital Resources

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 flow-through common shares 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.

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

As at December 31, 2009, the Company had working capital of \$6,214,285, which included cash of \$6,172,608. Barring the option available to the Company of scaling back its activities, these amounts are not sufficient to enable the Company to indefinitely fund its operations and the exploration of its mineral resource property at present rates of expenditure. Accordingly, the Company will be required to raise the capital necessary to sustain its exploration plans, activities and operational needs. Although the Company has to date been successful in raising money, there can be no assurance that its present efforts to raise additional funding will also be successful. 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.

Future cash requirements will depend primarily on the extent of future expenditures on the Company's exploration program, and to a lesser degree outlays on general and administrative expenses, including marketing activities.

In keeping with the recommendations of the NI 43-101 Technical Report on the Pickle Crow Property, the Company is engaged in a multi-phase exploration and development program at Pickle Crow. As the Company is an exploration stage company and does not generate revenues, it will in future require additional capital to fully execute on its vision. Some of this required capital may be secured through the exercise by current shareholders of outstanding warrants. However, it is likely that the major part of the Company's future financing needs will be met by the issuance of additional share capital.

The Company has considerable discretion in terms of the scale and rate at which it unfolds its exploration activities, can tailor its program expenditures to its ability to raise funds from capital markets and, on an ongoing basis, pays careful attention to costs throughout its operations, the net effect of which is to ensure the Company has sufficient funds to maintain itself. In light of difficult market conditions over the past 18 months, including tightness in credit and capital markets, the Company has been especially cognizant of the need to conserve its capital resources, and to deploy what it has to maximum effect. The success of the December 15, 2009, \$6,950,200 prospectus financing and the two prior calendar year 2009 private placement financings totaling a combined \$4,438,000 has underscored the Company's continued ability to raise money in current markets.

The Company intends to deploy a significant portion of its current capital resources to achieving the key objectives cited above under "*Exploration Goals & Milestones.*" Success with the winter exploration program will necessitate additional financing, possibly as early as April, 2010. Conversely, failure of the program would, at the Company's current burn rate, leave the Company with approximately \$1,600,000 by May 1, 2010, which would be sufficient to sustain the Company for approximately 18 months if it were to restrict itself to general and administrative expenses only, thereby conserving capital resources and ensuring the Company's continuance as a going concern.

**Transactions with Related Parties**

	<b>6 months ended December 31, 2009</b>	<b>Outstanding as at December 31, 2009</b>
<b>Consulting fees</b>		
Marlborough Management Limited, a company controlled by Miles Nagamatsu, for his services as Chief Financial Officer of the Company.	\$ 24,000	\$ -
<b>Public company costs</b>		
DSA Corporate Services, a company controlled by Shaun Drake, for his services as Secretary of the Company.	6,000	1,183
<b>Salary</b>		
Kevin Keough for his services as President and Chief Executive Officer of the Company.	110,000	98,333
<b>Mineral exploration expenditures</b>		
Fladgate Exploration Consulting for exploration activities conducted on behalf of the Company. Neil Pettigrew, Vice President, Exploration of the Company is an officer of Fladgate.		150,770
Geological consulting	699,797	
Diamond drilling	360,343	
Surveying & geophysics	268,367	
Assays	259,383	
Other exploration costs	418,067	
<b>Total</b>	<b>2,005,957</b>	

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

**Critical Accounting Estimates***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.

The recoverability of amounts shown for 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 mineral resource property.

#### *Stock-based compensation*

Stock-based compensation is determined using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in these input assumptions can materially affect the estimate of fair value.

#### **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 generally accepted accounting principles 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. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS commencing with the interim financial statements for the 3 months ended September 30, 2012. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Provisions, including asset retirement obligations;
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS:

Initial analysis of key areas for which changes to accounting policies may be required	In progress, expected to be completed by June 30, 2010
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q4 2010 - Q1 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 2010 – Q2 2011
Management and employee education and training	Throughout the transition process
Quantification of the financial statement impact of changes in accounting policies	Throughout 2011

## **Financial Instruments and Other Instruments**

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 and cash equivalents 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.

### *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.

## **Controls and Procedures**

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company, particularly during the period in which the interim filings are being prepared. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's DC&P and ICFR and concluded that they are ineffective due to the weakness discussed below. As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, the Company employs both a Controller and a Chief Financial Officer and there are additional supervisory controls exercised by management and audit committee oversight.

**Disclosure of Outstanding Share Data (as at February 12, 2010)****Shares**

Authorized:  
Unlimited number of common shares.

Outstanding:  
43,738,250 common shares.

**Warrants**

Outstanding:

<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
\$0.70	2,275,000	March 12, 2010
\$0.75	2,624,000	July 22, 2010
\$0.80	2,562,000	June 15, 2011
\$0.70	594,147	June 15, 2011
\$0.49	200,000	July 8, 2014
	<b>11,435,147</b>	

**Stock options**

Authorized:  
4,373,825 stock options.

Outstanding:

<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Expiry date</b>
\$1.00	2,115,000	1,701,667	May 13, 2013
\$1.08	400,000	350,000	May 28, 2013
\$1.10	895,000	895,000	August 10, 2014
	<b>3,410,000</b>	<b>2,946,667</b>	

At February 12, 2010, there are 963,825 stock options available to be granted under the stock option plan.

**Forward-Looking Statements**

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “will”, “would”, “should”, “guidance”, “potential”, “continue”, “project”, “forecast”, “confident”, “prospects”, and similar expressions typically are used to identify forward-looking statements. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the Company’s business and the industry and markets in which it operates. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied by these forward-looking statements due to a number of factors, including but not limited to the Company’s access to additional capital to fund future activities, the loss of its mineral property or the inability to obtain exploration and development licenses, the inherently risky nature of the Company’s activities, land claims of indigenous peoples in the area in which the Company carries on operations, title risks, statutory and regulatory compliance risks, the adequacy and availability of insurance coverage, the Company’s dependence upon key employees and consultants, and fluctuations in the price of gold and silver. These risks, as well as others, could cause actual results and events to vary significantly. The Company expressly disclaims any intent or obligation to update these forward-looking statements, unless the Company specifically states otherwise.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com), and at [www.pcgold.ca](http://www.pcgold.ca).