

# **PC Gold Inc.**

(an exploration stage company)

## **Financial Statements**

**For the period ended March 31, 2008**

**(unaudited)**

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

These unaudited interim financial statements of PC Gold Inc. (the "Company") for the period ended March 31, 2008 have been prepared by management and approved by the Board of Directors of the Company.

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

**PC Gold Inc.**  
**(an exploration stage company)**  
**Balance Sheet**

**As at**  
**March 31,**  
**2008**  
**\$**  
**(unaudited)**

**Assets**

Current	
Cash	662,903
Receivables	15,124
Deposit on acquisition of assets (note 1)	50,000
Prepaid expenses and deposits	198,374
Deferred costs (note 3)	95,030
	<hr/>
	1,021,431
Capital assets (note 4)	74,010
	<hr/>
	1,095,441

**Liabilities**

Current	
Accounts payable and accrued liabilities	22,000
	<hr/>

**Shareholders' equity**

Share capital (note 5)	1,146,986
Deficit	(73,546)
	<hr/>
	1,073,441
	<hr/>
	1,095,441

*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 Loss and Deficit**

	<b>3 months ended March 31, 2008 (unaudited)</b>	<b>Period October 17, 2007 to March 31, 2008 (unaudited)</b>
<b>General and administrative expenses</b>		
Professional fees	7,000	10,330
Consulting fees	45,320	45,320
Premises	4,321	4,321
Office, general and administration	4,912	5,627
Investor relations	4,353	4,353
Travel	675	7,043
Amortization	937	937
	<b>67,518</b>	<b>77,931</b>
<b>Loss before the following item</b>	<b>(67,518)</b>	<b>(77,931)</b>
Interest income	4,386	4,386
<b>Loss for the period</b>	<b>(63,132)</b>	<b>(73,546)</b>
Deficit, beginning of period	(10,413)	-
<b>Deficit, end of period</b>	<b>(73,546)</b>	<b>(73,546)</b>
<b>Loss per share</b>	<b>(0.02)</b>	<b>(0.03)</b>
<b>Weighted average number of shares outstanding</b>	<b>4,005,495</b>	<b>2,783,133</b>

*See accompanying notes to financial statements*

**PC Gold Inc.**  
 (an exploration stage company)  
**Statements of Cash Flows**

	<b>3 months ended March 31, 2008</b>	<b>Period October 17, 2007 to March 31, 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>	(unaudited)	(unaudited)
<b>Operating activities</b>		
Loss for the period	(63,132)	(73,546)
Amortization	937	937
Changes in non-cash operating working capital:		
Accounts receivable	(12,503)	(15,124)
Accounts payable and accrued liabilities	(50,387)	22,000
	<u>(125,085)</u>	<u>(65,732)</u>
<b>Financing activities</b>		
Deferred share issue costs	(46,215)	(67,015)
Advances from a director	-	34,977
Advances	-	25,000
Issue of common shares	912,500	1,102,524
Share issue costs	-	(15,515)
	<u>866,285</u>	<u>1,079,971</u>
<b>Investing activities</b>		
Deposit on acquisition of assets	-	(50,000)
Prepaid expenses and deposits	(153,374)	(198,374)
Deferred acquisition costs	-	(28,015)
Purchase of capital assets	(74,947)	(74,947)
	<u>(228,321)</u>	<u>(351,336)</u>
<b>Net increase in cash</b>	122,279	662,903
<b>Cash, beginning of period</b>	540,624	-
<b>Cash, end of period</b>	<u>662,903</u>	<u>662,903</u>
<b>Non-cash transactions</b>		
Issue of common shares to settle advances from a director	-	34,977
Issue of common shares to settle advances	25,000	25,000
<b>Supplementary information</b>		
Interest paid	-	-
Income taxes paid	-	-

*See accompanying notes to financial statements*

**PC Gold Inc.**  
(an exploration stage company)  
**Notes to Financial Statements**  
**March 31, 2008**  
(unaudited)

**1. Nature 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 Pickle Crow mineral property ("Pickle Crow Property") in northwestern Ontario.

The Company has agreed to acquire a 100% interest in a mining lease expiring July 31, 2067, which covers the Pickle Crow Property, consisting of 98 patented mineral claims totaling 1,582.9 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.

Subsequent to March 31, 2008, the Company completed the acquisition of the Pickle Crow Property and also completed an offering of 11,500,000 common shares of the Company (note 10).

**Continuance of operations**

The Company is in the exploration stage and its continued operations are dependent upon the ability of the Company to obtain financing for the 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 audited financial statements for the period ended January 31, 2008. Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for audited financial statements, and accordingly, these financial statements should be read in conjunction with the audited financial statements for the period ended January 31, 2008.

**Accounting changes**

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.

The Company adopted CICA Handbook Section 1535, "Capital Disclosures" which requires disclosure of qualitative information about its objectives, policies and processes for managing capital; disclosure of quantitative data about what is regarded as capital; and disclosure of compliance with any externally imposed capital requirements and the consequences of such non-compliance.

The Company adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation" which requires disclosures to enable users to evaluate the significance of financial instruments on the entity's financial position and performance, and the nature and extent of risks arising from financial instruments and non-financial derivatives.

Beyond additional disclosure, the adoption of these new accounting standards did not have an effect on the Company's financial position or results of operations.

### 3. *Deferred costs*

	\$
Acquisition costs	28,015
Share issue costs	67,015
	<hr/> 95,030

### 4. *Capital assets*

	\$
Minesite equipment	56,700
Accumulated amortization	709
	<hr/> 55,991
Office furniture & equipment	18,247
Accumulated amortization	228
	<hr/> 18,019
	<hr/> 74,010

### 5. *Share capital*

#### **Authorized**

An unlimited number of common shares without par value.

#### **Issued**

	Number of common 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
Share issue costs	—	(15,515)
Balance, March 31, 2008	<hr/> 4,500,000	<hr/> 1,146,986

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.

#### **Stock options**

The Company will adopt 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.

## 6. *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 36% to the loss for the period. The reasons for the difference are as follows:

	\$
Income tax recovery based on statutory rate	(26,984)
Unrecorded tax benefit of losses	26,984
	—

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

	\$
Non-capital loss carryforward	21,737
Share issue costs	4,090
Valuation allowance	(25,828)
	—

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.

As at March 31, 2008, the Company had a non-capital loss carryforward of \$74,957 which expires in 2018.

## 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 properties 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 carrying value of cash, receivables and 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 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 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's 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 7.

### **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

During the period October 17, 2007 to March 31, 2008, consulting fees of \$30,000 were expensed for a director of the Company. These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

### 10. Subsequent events

#### Asset acquisition

On May 13, 2008, the Company acquired a 100% interest in the Pickle Crow Property, together with all surface infrastructure including a modern mill, stockpiles, equipment and tailings.

	\$
<b>Purchase price</b>	
Deposit which was paid and included in deposit on acquisition of assets as at March 31, 2008	50,000
Cash paid on closing	3,450,000
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, 2008 to May 13, 2008	36,850
1% net smelter return royalty	—
Acquisition costs, which were included in deferred costs as at March 31, 2008	43,015
	<hr/> 14,154,456
<b>Net assets acquired</b>	
Reclamation deposit	108,841
Mineral resource property	14,045,615
	<hr/> 14,154,456

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

#### Offering

On May 13, 2008, pursuant to an agency agreement between the Company and Canaccord Capital Corporation (the "Lead Agent") and Research Capital Corporation (with the Lead Agent, the "Agents"), 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; (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 (iv) paid Lead Agent costs of \$50,000.

The fair value of the warrants of \$429,504 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.

**Stock options**

On May 13, 2008, the Company granted 2,115,000 stock options to directors, officers, employees and consultants entitling the holder to purchase one common share at a price of \$1.00 until May 13, 2013.