

Auditors' Report

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

We have audited the balance sheet of PC Gold Inc. as at June 30, 2008 and the statements of operations and deficit and cash flows for the period from October 17, 2007 to June 30, 2008. 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 audit.

We conducted our audit 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, 2008 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Smith Nixon LLP

Smith Nixon LLP
Licensed Public Accountants
Chartered Accountants
Toronto, Ontario

August 18, 2008

Financial Statements

For the period from October 17, 2007 (date of incorporation) to June 30, 2008 (fiscal year end)

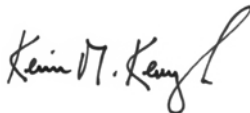
BALANCE SHEET

	As at June 30, 2008 \$
Assets	
Current	
Cash	6,984,456
Receivables	44,119
Prepaid expenses and deposits	179,234
	7,207,809
Reclamation deposit	108,841
Capital assets (note 4)	71,199
Mineral resource property (note 5)	14,717,768
	22,105,617
Liabilities	
Current	
Accounts payable and accrued liabilities (note 10)	289,103
Shareholders' equity	
Share capital (note 6)	20,620,978
Warrants (note 6)	1,504,095
Contributed surplus (note 6)	1,246,372
Deficit	(1,554,931)
	21,816,514
	22,105,617

See accompanying notes to financial statements.

Subsequent events (note 11)

Approved by the Board:



Kevin M. Keough
Director



William Fisher
Director

STATEMENT OF OPERATIONS AND DEFICIT

	For the period October 17, 2007 to June 30, 2008 \$
General and administrative expenses	
Professional fees	31,330
Salaries & benefits	14,660
Consulting fees	94,542
Directors' fees	20,917
Stock-based compensation (<i>note 6</i>)	1,246,372
Premises	8,015
Office, general and administration	15,326
Public company costs	17,262
Investor relations	117,891
Travel	7,344
Amortization	3,748
	1,577,407
Loss before the following item	(1,577,407)
Interest income	22,476
Loss for the period	(1,554,931)
Deficit, beginning of period	—
Deficit, end of period	(1,554,931)
Loss per share - basic and diluted	(0.21)
Weighted average number of shares outstanding – basic and diluted	7,350,584

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

	For the period October 17, 2007 to June 30, 2008 \$
Cash provided by (used in)	
Operating activities	
Loss for the period	(1,554,931)
Amortization	3,748
Stock-based compensation	1,246,372
Changes in non-cash operating working capital:	
Prepaid expenses and deposits	(179,234)
Accounts receivable	(44,119)
Accounts payable and accrued liabilities	289,102
	(239,062)
Financing activities	
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
Investing activities	
Acquisition of reclamation deposit and mineral resource property	(3,828,268)
Mineral resource property expenditures	(423,749)
Purchase of capital assets	(74,947)
	(4,326,964)
Net increase in cash	6,984,456
Cash, beginning of period	—
Cash, end of period	6,984,456
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 as corporate finance fee	200,000
Fair value of warrants issued to agents	429,504
Supplementary information	
Interest paid	—
Income taxes paid	—

See accompanying notes to financial statements.

Notes to Financial Statements

June 30, 2008

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. 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, receivables as loans and receivables, and accounts payable and accrued liabilities as other liabilities. The carrying value of all of the Company’s financial instruments reflects fair value due to the short-term nature of these instruments.

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 related 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 property are credited to the cost of the related property. When a property is determined to be non-commercial, non-productive or its value 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, 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. 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, 2008, 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 (GAAP) 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 mineral resource property and stock-based compensation. Actual results could differ from those estimates.

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.

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

	\$
Mining equipment	56,700
Accumulated amortization	2,836
	53,864
Office furniture & equipment	18,247
Accumulated amortization	912
	17,335
	71,199

5. MINERAL RESOURCE PROPERTY

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

	\$
Acquisition cost	14,294,019
Exploration expenditures	423,749
	14,717,768

The Company staked an additional 2,579 hectares to increase its holdings in the Pickle Crow Property from 1,583 hectares to 4,162 hectares.

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 (note 3)	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	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
Balance, June 30, 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	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 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, end of year	2,515,000	1.01
Options exercisable	1,588,333	

A summary of the Company's stock options outstanding and exercisable at June 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

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% to the loss for the period. The reasons for the difference are as follows:

	\$
Income tax recovery based on statutory rate	(521,000)
Stock-based compensation	334,000
Unrecorded tax assets	187,000
	—

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

	\$
Non-capital loss carryforward	232,000
Share issue costs	434,000
Valuation allowance	(666,000)
	—

Due to losses incurred in the current period and expected future operating results, management has determined that it is not likely 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 June 30, 2008, the Company had a non-capital loss carryforward of approximately \$800,000 which expires in 2028.

RESOURCE DEDUCTIONS

At June 30, 2008, the Company had resource deductions of \$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.

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.

9. 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.

10. RELATED PARTY TRANSACTIONS

During the period October 17, 2007 to June 30, 2008, consulting fees of \$59,167 were expensed for a director of the Company and consulting fees of \$20,000 were expensed for a company controlled by an officer of the Company. Mineral resource property included \$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 include \$2,581 due to a director of the Company and \$210,460 due to Fladgate.

11. SUBSEQUENT EVENTS

On July 12, 2008, the Company entered into a one-year lease for staff accommodation premises in Pickle Lake, Ontario, at \$10,000 per month, with an option to renew for an additional year.

On July 22, 2008, the Company entered into a one-year contract for a diamond drilling program for a minimum of 45,000 metres at the Pickle Crow Property.