

Precipitate Gold Corp.

(An Exploration Stage Company)

Condensed Interim Financial Statements

Three months ended February 29, 2012

Unaudited – Expressed in Canadian Dollars

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that these condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

Precipitate Gold Corp.
(An Exploration Stage Company)
Statements of Financial Position
Unaudited – Prepared by Management
In Canadian Dollars

ASSETS	February 29, 2012 (Unaudited)	November 30, 2011 (Audited)
Current		
Cash and cash equivalents	\$ 1,112,736	\$ 483,124
Amounts receivable	70,359	103,847
Prepaid expenses	19,321	13,259
	<u>1,202,416</u>	<u>600,230</u>
Deferred Financing Costs (Note 6)	55,898	-
Mineral Properties (Note 4)	359,364	355,092
	<u>\$ 1,617,678</u>	<u>\$ 955,322</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 87,407	\$ 92,180
Flow-through share liability (Note 5)	-	24,000
	<u>87,407</u>	<u>116,180</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	2,335,200	1,470,250
Reserves (Note 5)	-	2,250
Deficit	<u>(804,929)</u>	<u>(633,358)</u>
	<u>1,530,271</u>	<u>839,142</u>
	<u>\$ 1,617,678</u>	<u>\$ 955,322</u>

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 13)

Approved by the Board of Directors:

"Darcy Krohman"

"Darryl Cardey"

Darcy Krohman, Director

Darryl Cardey, Director

- See Accompanying Notes -

Precipitate Gold Corp.
(An Exploration Stage Company)

Interim Statements of Loss and Comprehensive Loss

**For the Three Months Ended February 29, 2012 and the Period from Incorporation on
January 31, 2011 to February 28, 2011**

*Unaudited – Prepared by Management
In Canadian Dollars*

	2012	2011
Expenses		
Audit and accounting	\$ 9,375	\$ -
Exploration and evaluation (Note 4 (h))	99,378	-
Office and administrative	22,075	8
Insurance	937	-
Legal	304	-
Marketing, conferences and shareholder relations	10,961	-
Rent	8,898	-
Salaries and wages	43,694	-
Total Expenses	195,622	8
Other Income:		
Interest income	(51)	-
Other income (Note 5(c))	(24,000)	-
Net loss and comprehensive loss for the period	\$ 171,571	\$ 8
Loss per share, basic and diluted	\$ 0.01	\$ 0.00
Weighted average shares outstanding	13,018,146	-

– See Accompanying Notes –

Precipitate Gold Corp.*(An Exploration Stage Company)***Interim Statements of Cash Flows****For the Three Months Ended February 29, 2012 and the Period from
Incorporation on January 31, 2011 to February 28, 2011***Unaudited – Prepared by Management**In Canadian Dollars*

	2012	2011
<hr/>		
Cash provided by (used in):		
Operating activities		
Net loss for the period	\$ (171,571)	\$ (8)
Item not affecting cash:		
Other income (Note 5(c))	(24,000)	-
Changes in non-cash operating working capital:		
Amounts receivable	33,488	-
Prepaid expense	(6,062)	-
Accounts payable and accrued liabilities	(20,581)	-
	<hr/>	<hr/>
	(188,726)	(8)
Investing activities		
Mineral property acquisition costs (Note 4(g))	(4,272)	-
Financing activities		
Share subscriptions received	-	40,500
Proceeds from shares issued (Note 5)	855,200	-
Deferred financing costs	(40,090)	-
Cash received from exercise of warrants (Note 5)	7,500	-
	<hr/>	<hr/>
	822,610	40,500
Increase in cash	629,612	40,492
Cash, beginning of period	483,124	-
Cash, end of period	<hr/>	<hr/>
	\$ 1,112,736	\$ 40,492
<hr/>		
Supplemental non-cash financing information:		
Deferred financing costs included in accounts payable and accrued liabilities	15,808	-
	<hr/>	<hr/>

- See Accompanying Notes -

Precipitate Gold Corp.*(An Exploration Stage Company)***Interim Statements of Changes in Equity****For the Three Months Ended February 29, 2012 and the Period from Incorporation on January 31, 2011 to February 28, 2011***Unaudited – Prepared by Management**In Canadian Dollars*

	Share Capital		Share Subscriptions Received	Reserves		Total
	Shares	Amount \$		Warrants	Deficit	
Balance, Incorporation on January 31, 2011	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	(8)	(8)
Share subscriptions received	-	-	40,500	-	-	40,500
Balance, February 28, 2011 <i>(Unaudited)</i>	-	-	40,500	-	(8)	40,492
Comprehensive loss	-	-	-	-	(633,350)	(633,350)
Private placement – March 2011 (Note 5(b)(i))	3,720,000	115,500	(40,500)	-	-	75,000
Warrants issued – March 2011 (Note 5(b)(i))	-	-	-	49,500	-	49,500
Private placement – July 2011 (Note 5(b)(ii))	4,362,000	1,090,500	-	-	-	1,090,500
Private placement – November 2011 (Note 5(b)(iii))	250,000	62,500	-	-	-	62,500
Exercise of warrants	3,570,000	201,750	-	(47,250)	-	154,500
Balance, November 30, 2011 <i>(Audited)</i>	11,902,000	1,470,250	-	2,250	(633,358)	839,142
Comprehensive loss	-	-	-	-	(171,571)	(171,571)
Private placement – January 2012 (Note 5(b)(vii & viii))	2,850,666	855,200	-	-	-	855,200
Exercise of warrants	150,000	9,750	-	(2,250)	-	7,500
Balance, February 29, 2012 <i>(Unaudited)</i>	14,902,666	2,335,200	-	-	(804,929)	1,530,271

– See Accompanying Notes –

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

1. Nature of Operations and Going Concern

Precipitate Gold Corp. (the “Company”) was incorporated on January 31, 2011, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The head office, principal address, and records office of the Company are located at 789 West Pender Street, Suite 800, Vancouver, British Columbia, V6C 1H2, Canada.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. Several conditions discussed below cast substantial doubt regarding this assumption. The Company has no operating revenue and has an accumulated deficit of \$804,929 as at February 29, 2012. The Company intends to complete an initial public offering (“IPO”) of its common shares (Note 13). The ability of the Company to carry out its planned business objectives is dependent on its ability to complete its IPO and raise adequate financing from lenders, shareholders and other investors and/or generate operating profitability and positive cash flow. There can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations, exploration, and development activities and there would be significant uncertainty whether the Company would continue as a going concern and realize its assets and settle its liabilities and commitments in the normal course of business.

2. Basis of Presentation

a) Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of presentation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s audited financial statements for the period from incorporation on January 31, 2011 to November 30, 2011.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

2. Basis of Presentation - Continued

c) Critical accounting judgments and estimates

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant areas requiring the use of management estimates include the fair value measurements of equity-based payments, allocation of net proceeds from equity financing between share capital, flow-through share liabilities, and warrant reserves, assumptions and estimates relating to determining the recoverability of exploration and evaluation assets, and valuation of income tax, including the effects of flow-through shares. Actual results could differ.

3. Future Changes in Accounting Standards

a) Accounting Standards Issued and Effective January 1, 2012

IAS 12, *Income Taxes* (Amended), introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value.

IFRS 7, *Financial Instruments: Disclosures* (Amended), requires additional disclosures on transferred financial assets.

b) Accounting Standards Issued and Effective January 1, 2013

IFRS 9, *Financial Instruments*, replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- Requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- Defines the principle of control, and establishes control as the basis for consolidation;
- Sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and
- Sets out the accounting requirements for the preparation of consolidated financial statements.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

3. Future Changes in Accounting Standards - Continued

b) Accounting Standards Issued and Effective January 1, 2013 - Continued

IFRS 10 supersedes IAS 27 and SIC-12, *Consolidation – Special Purpose Entities*.

IFRS 11, *Joint Arrangements*, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, *Disclosure of Involvement with Other Entities*, requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, *Fair Value Measurement*, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, *Share-based Payment*;
- Leasing transactions within the scope of IAS 17, *Leases*;
- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

IAS 27, *Separate Financial Statements*, has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28, *Investments in Associates and Joint Ventures*, prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

IFRIC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

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Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties

a) Principal Property

The Company's principal property, also referred to as the "Reef Property" (the "Principal Property"), is a contiguous area totalling roughly 8,615 hectares located in the Yukon Territory. The Reef Property is comprised of the following mineral quartz claims:

- i) The Reef I-48 claims, which forms part of the Fireside Properties (Note 4b);
- ii) All of the Jay East Property (Note 4c); and
- iii) The Bloom I-262 claims (Note 4d).

During the three months ended February 29, 2012, the Company incurred \$37,255 in exploration expenditures on the Principal Property, comprised of \$12,387 of exploration expenditures on the Reef I-48 claims, \$9,627 of exploration expenditures on the Jay East Property, and \$15,241 of exploration expenditures on the Bloom I-262 claims.

b) Fireside Properties

On April 14, 2011, the Company entered into an option agreement with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited, to acquire a 100% interest in 17 geographically separate blocks of mineral claims, called the "Fireside Properties". The Fireside Properties are located in the Watson Lake Mining District, Yukon Territory, and northern British Columbia, and include the Reef I-48 claims that are part of the Company's Principal Property.

Pursuant to the option agreement, the Company is required to complete the following option payments and exploration expenditures:

- Cash payments totalling \$300,000 as follows:
 - \$50,000 on April 14, 2011 (paid);
 - \$50,000 on or before June 1, 2011 (paid); and
 - \$200,000 on or before April 14, 2012 (paid subsequent to February 29, 2012).
- Incur exploration expenditures totalling \$2,000,000 as follows:
 - \$200,000 on or before December 31, 2011 (incurred);
 - \$500,000 on or before December 31, 2012; and
 - \$1,300,000 on or before December 31, 2013.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

b) Fireside Properties – Continued

Furthermore, the Company must complete an Initial Public Offering (“IPO”) and obtain a listing on the TSX-V on or before June 1, 2012 (see Note 13). The Company must issue common shares to Strategic equal to 19.9% of the Company’s issued and outstanding common shares immediately following the IPO and the Company must have unallocated working capital of not less than \$2,000,000 on completion of the IPO. During the earn-in period, Strategic will have the right, but not the obligation, to participate in future equity financings so as to maintain its percentage equity interest in the Company. The Fireside Properties are subject to a 2% net smelter royalty (“NSR”) from any precious metal commercial production and a 1% NSR from any non-precious metal commercial production.

During the three months ended February 29, 2012, the Company had incurred \$48,445 in exploration expenditures on the Fireside Properties, of which \$12,387 was incurred on the Reef I-48 claims and \$36,058 was incurred on the remaining claims.

c) Jay East Property

On July 29, 2011, the Company entered into an option agreement with Bearing Resources Ltd. (“Bearing”) to acquire up to a 70% interest in 108 mineral claims, called the “Jay East Property”, located in Yukon Territory. The Jay East Property is part of the Company’s Principal Property.

Pursuant to the option agreement, the Company can earn an initial 51% interest by completing the following option payments and exploration expenditures:

- Cash payments totalling \$480,000 as follows:
 - \$5,000 within 5 days of July 29, 2011 and approval of the agreement by TSX-V (paid);
 - \$25,000 on or before July 29, 2012;
 - \$35,000 on or before July 29, 2013;
 - \$40,000 on or before July 29, 2014;
 - \$50,000 on or before July 29, 2015; and
 - \$325,000 on or before July 29, 2016.
- Incur exploration expenditures totalling \$2,000,000 as follows:
 - \$100,000 on or before December 31, 2012 (incurred);
 - Aggregate of \$1,000,000 on or before July 29, 2014; and
 - Aggregate of \$2,000,000 on or before July 29, 2016.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

c) Jay East Property – Continued

In order to keep the agreement in good standing and earn an additional 19% interest in the Property, the Company must complete a feasibility study on or before July 29, 2019 and complete the following cash payments:

- Cash payments totalling \$300,000 as follows:
 - \$100,000 on or before July 29, 2017;
 - \$100,000 on or before July 29, 2018; and
 - \$100,000 on or before July 29, 2019.

During the three months ended February 29, 2012, the Company had incurred \$9,627 in exploration expenditures on the Jay East Property.

d) Bloom I-262 Claims

The Company acquired the Bloom I-262 claims, located in the Yukon Territory, consisting of 262 quartz claims, through staking. During the three months ended February 29, 2012, the Company has incurred \$12,387 in exploration expenditures on these claims.

e) Other Properties in Yukon Territory

The Company acquired the Bright and Lombok properties, located in Yukon Territory, consisting of 284 claims, through staking. During the three months ended February 29, 2012, the Company has incurred \$Nil in exploration expenditures on these properties.

f) Other Properties in British Columbia

The Company acquired the Ba, Gemini, and Horneline properties, located in the British Columbia, consisting of 69 claims, through staking. During the three months ended February 29, 2012, the Company has incurred \$26,065 in exploration expenditures on these properties.

g) Acquisition Costs Summary

Details of acquisition costs incurred for the three months ended February 29, 2012 and the period from incorporation on January 31, 2011 to November 30, 2011 are as follows:

		Yukon Properties		British Columbia Properties		Total
Balance – January 31, 2011	\$	-	\$	-	\$	-
Acquisition and staking		316,422		38,670		355,092
Balance – November 30, 2011	\$	316,422	\$	38,670	\$	355,092
Acquisition and staking		-		4,272		4,272
Balance – February 29, 2012	\$	316,422	\$	42,942		359,364

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

4. Mineral Properties – Continued

h) Exploration and Evaluation Costs Summary

Details of exploration and evaluation costs incurred for the three months ended February 29, 2012 and for the period from incorporation on January 31, 2011 to November 30, 2011 are as follows:

	Three months ended February 29, 2012			Year ended November 30, 2011
	Yukon Properties	British Columbia Properties	Total	Total
Exploration and evaluation costs:				
Aircraft charter	\$ -	\$ -	\$ -	\$ 31,523
Assays	436	-	436	107,976
Camp and general	660	15,439	16,099	20,304
Consulting	5,311	14,998	20,309	113,203
Courier, freight, and shipping	-	-	-	1,558
Drilling	-	-	-	972
Field equipment and supplies	1,141	-	1,141	9,642
Fuel	-	-	-	5,000
Geological	40,477	7,595	48,072	37,472
Geophysics	-	-	-	105,221
Helicopter	-	-	-	117,153
Maps, orthophotos, reports	7,354	1,471	8,825	4,963
Office	622	344	966	1,813
Soil sampling	-	-	-	20,450
Transportation	1,328	2,202	3,530	6,158
Travel	-	-	-	36,207
Total exploration and evaluation costs	57,329	42,049	99,378	619,615
BC METC*	-	-	-	(24,854)
Net exploration and evaluation costs	57,329	42,049	99,378	594,761
Balance – beginning of period	473,260	121,501	594,761	-
Balance – end of period	\$ 530,589	\$ 163,550	\$ 694,139	594,761

*The Company's exploration and evaluation costs incurred in British Columbia are eligible for a British Columbia Mining Exploration Tax Credit ("BC METC"). The Company estimated that the amount receivable from BC METC for the exploration and evaluation costs incurred from the period from incorporation on January 31, 2011 to November 30, 2011 is \$24,854.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

b) Issued Share Capital

	Share Capital		Reserves
	Common Shares	Amount	Warrants
Balance, Incorporation on January 31, 2011	-	\$ -	\$ -
Private placement – March 2011	3,720,000	115,500	-
Warrants issued – March 2011	-	-	49,500
Private placement – July 2011	4,362,000	1,090,500	-
	250,000	62,500	-
Private placement – November 2011			
Exercise of warrants	3,570,000	201,750	(47,250)
Balance, November 30, 2011	11,902,000	\$ 1,470,250	\$ 2,250
Private placement – January 2012	2,850,666	855,200	-
Exercise of warrants	150,000	9,750	(2,250)
Balance, February 29, 2012	14,902,666	\$ 2,335,200	\$ -

Share transactions for the period ended November 30, 2011:

- (i) On March 7, 2011, the Company completed a private placement of 3,720,000 units, consisting of 1,870,000 flow-through units and 1,850,000 non flow-through units, for cash proceeds of \$93,500 and \$92,500, respectively. Each flow-through unit consists of one flow-through common share and one flow-through share purchase warrant. Each flow-through warrant is exercisable to purchase one additional flow-through common share at a price of \$0.05 per share or if unexercised at the date of the closing of Initial Public Offering ("IPO"), at a price equal to the listing price of the IPO. Each non flow-through unit consists of one non flow-through common share and one non flow-through share purchase warrant. Each non flow-through warrant is exercisable to purchase one additional non flow-through common share at a price of \$0.05 per share or if unexercised at the date of the closing of Initial Public Offering ("IPO"), at a price equal to the listing price of the IPO. Both the flow-through and non flow-through warrants are exercisable until March 7, 2016.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity - Continued

b) Issued Share Capital - Continued

The fair value of the flow-through share liability associated with the flow-through shares was determined to be \$21,000 based on the estimated fair value of the tax benefit passed on to the shareholders, therefore the remaining proceeds of \$72,500 were allocated \$50,750 to share capital and \$21,750 to warrants based on their relative fair value.

Of the cash proceeds received from non flow-through shares of \$92,500, \$64,750 was allocated to share capital and \$27,750 was allocated to warrants based on their relative fair value.

- (ii) On July 25, 2011, the Company completed a private placement of 4,362,000 non flow-through seed common shares at \$0.25 per share for cash proceeds of \$1,090,500.
- (iii) On November 30, 2011, the Company completed a private placement of 250,000 non flow-through seed common share at \$0.25 per share for cash proceeds of \$62,500 to directors and officers of the Company.
- (iv) On November 30, 2011, the Company received cash proceeds of \$93,500 from the exercise of 1,870,000 flow-through warrants for 1,870,000 flow-through common shares.

The fair value of the flow-through share liability associated with the flow-through shares was determined to be \$24,000 based on the estimated fair value of the tax benefit passed on to the shareholders.

- (v) On November 30, 2011, the Company received cash proceeds of \$85,000 from the exercise of 1,700,000 non flow-through warrants for 1,700,000 non flow-through common shares.

Share transactions for the three months ended February 29, 2012:

- (vi) On December 7, 2011, the remaining 150,000 non flow-through warrants issued on March 7, 2011 were exercised at \$0.05 per warrant for cash proceeds of \$7,500.
- (vii) On January 10, 2012, the Company completed a private placement of 300,000 common shares at a price of \$0.30 per share for cash proceeds of \$90,000.
- (viii) On January 31, 2012, the Company completed a private placement of 2,550,666 common shares at a price of \$0.30 per share for cash proceeds of \$765,200.

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(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity – Continued

c) Flow-through Share Liability

During the period ended November 30, 2011, the Company raised a total of \$187,000 through the issuance of flow-through shares (Note 5(b)(i) and Note 5(b)(iv)). During the period ended November 30, 2011, \$93,500 of these funds had been spent on qualifying flow through exploration expenditures. Accordingly, \$21,000 of the flow-through liability was recognized in other income in the period. As at February 29, 2012 the remaining funds of \$93,500 had been spent on qualifying flow through exploration expenditures and therefore \$24,000 of flow-through has been recognized in other income in the three months ended February 29, 2012.

d) Warrants

Details of flow-through and non flow-through warrant activity for the three months ended February 29, 2012 and the period ended November 30, 2011 are as follows:

Opening Balance	Issued*	Exercised**	November 30, 2011	Exercise Price	Expiry Date
-	3,720,000	(3,570,000)	150,000	\$0.05	March 7, 2016

* Of the 3,720,000 warrants issued during the period, 1,870,000 are flow-through warrants and 1,850,000 are non flow-through warrants.

** Of the 3,570,000 warrants exercised during the period, 1,870,000 are flow-through warrants and 1,700,000 are non flow-through warrants. As at November 30, 2011, there were 150,000 non flow-through warrants outstanding.

November 30, 2011	Issued	Exercised	February 29, 2012	Exercise Price	Expiry Date
150,000	-	(150,000)	-	-	-

As at February 29, 2012, there are no warrants outstanding.

e) Stock Option Plan

On December 5, 2011, the Company adopted a rolling stock option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's stock calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's stock option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

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(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

5. Shareholders' Equity – Continued

f) Escrow Shares

Pursuant to an escrow agreement dated February 1, 2012, 2,665,000 common shares were placed in escrow. 10% of the escrowed shares (266,500 shares) will be released from escrow upon completion of the IPO, and 15% of the shares and warrants are released from escrow every 6 months thereafter.

6. Deferred Financing Costs

Deferred financing costs relate to fees incurred in the process of preparation and filing of the Company's initial public offering. Breakdown of the deferred financing costs is as follows:

	February 29, 2012 \$	November 30, 2011 \$
Audit and accounting	15,808	-
Corporate finance	10,000	-
Filing	17,590	-
Legal	12,500	-
Total	55,898	-

7. Commitments

On November 8, 2011, the Company entered into a lease agreement for office space commencing on December 1, 2011 for a term of 2 years. In the fiscal year ending November 30, 2012 and 2013, the Company must pay rent of \$26,602 per annum plus operating costs. As at February 29, 2012, the Company has prepaid \$7,331 as a security deposit to the Landlord.

8. Segmented Information

The Company has only one reportable operating segment, being mineral property exploration in Canada.

9. Income Taxes

During the period ended November 30, 2011, the Company issued flow-through shares (Note 5(b)). The effective date of the renouncement of the exploration expenditures incurred in the period is December 31, 2011. No deferred income tax asset related to mineral property exploration costs has been recognized in the three months ended February 29, 2012 and in the period ending November 30, 2011 to the extent that exploration costs are expected to be renounced to the shareholders of the flow through shares.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

10. Related Party Transactions

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

- (a) During the three months ended February 29, 2012, the Company paid for \$28,125 (2011 - \$Nil) of geological consulting fees and HST of \$3,375 to the Vice President of Exploration of the Company.
- (b) During the three months ended February 29, 2012, the Company paid \$6,000 (2011 - \$Nil) in accounting fees, \$5,500 (2011 - \$Nil) in office and administration expense and \$1,380 (2011 - \$Nil) of HST to a company controlled by a director of the Company.
- (c) During the three months ended February 29, 2012, the Company paid salaries and wages of \$38,749 (2011 - \$Nil) to the Company's President and CEO and \$2,000 (2011 - \$Nil) to the Company's CFO.
- (d) As at February 29, 2012, there is \$819 (November 30, 2011 - \$Nil) of expenses owing to the Company's President and CEO and \$13,022 of expenses owing to the Company's Vice President of Exploration, which are included in accounts payable and accrued liabilities.

The above transactions occurred in the normal course of operations, are measured at fair value, which is the amount of consideration established and agreed to by the related parties

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements as at February 29, 2012.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

12. Financial Instruments

The classification of the financial instruments as well as their carrying values as at February 29, 2012 is shown in the table below:

Financial assets:	
Financial assets, measured at fair value:	
Cash and cash equivalents	\$ 1,112,736
Loans and receivables, measured at amortized cost:	
Amounts receivable	70,359
Financial liabilities, measured at amortized cost:	
Accounts payable and accrued liabilities	\$ 87,407

a) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at February 29, 2012, the fair values of financial instruments measured on a recurring basis, including cash and cash equivalents, are determined based on level 1 inputs, consisting of quoted prices in active markets for identical assets. The fair values of other financial instruments, which include amounts receivable and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

12. Financial Instruments – Continued

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Amounts receivable primarily consist of amounts receivable with expected payment from the Canadian Federal Government and the BC METC.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

e) Foreign Currency Exchange Rate Risk

The Company currently has no significant operations denominated in foreign currencies. Management believes there is no significant foreign currency exchange rate risk.

Precipitate Gold Corp.

(An Exploration Stage Company)

Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 29, 2012

Unaudited – Prepared by Management

In Canadian Dollars

13. Subsequent Events

Initial Public Offering

On September 21, 2011 the Company entered into a Letter of Engagement with Wolverton Securities Ltd. (the "Agent"), which was amended on February 15, 2012, to act as its agent in connection with its planned initial public offering ("IPO") of its common shares in Canada. Pursuant to a prospectus dated March 30, 2012 the Company is offering to distribute 5,500,000 common shares at \$0.40 per common share for gross proceeds of \$2,200,000 ("the Offering"). The Prospectus also contemplates the distribution of an additional 750,000 common shares at \$0.40 per common share for additional gross proceeds of \$300,000 pursuant to an over-allotment option. Upon completion of the offering, the Agent will receive:

- (i) a marketing commission equal to 8% of the gross proceeds raised under the Offering payable through either cash, issuance of 440,000 common shares (500,000 common shares if the full over-allotment option is exercised) at a deemed price of \$0.40 per share, or a combination of cash payment and share issuance, at the discretion of the Agent ;
- (ii) Agent's Options equal to 8% of the number of common shares issued in the Offering, being 440,000, (500,000 if the full over-allotment option is exercised) with an exercise price of \$0.40 per share, expiring 24 months after listing on the TSX-V;
- (iii) a corporate finance fee of \$40,000 plus HST, of which \$10,000 plus HST will be paid in cash as a non-refundable due diligence fee, and the remaining \$30,000 will be paid through either cash, issuance of 75,000 common shares upon completion of the IPO at a deemed price of \$0.40 per share, or a combination of cash payment and share issuance, at the discretion of the Agent; and
- (iv) reimbursement for expenses, including legal fees, third-party expenses and out of pocket expenses, of which the Company will pay \$10,000 as a retainer.

On April 3, 2012, the British Columbia Securities Commission issued a receipt for the Company's long form prospectus.