

# **Precipitate Gold Corp.**

**(An Exploration Stage Company)**

## **Condensed Interim Financial Statements**

**Three months ended February 28, 2013 and 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*

<b>ASSETS</b>	<b>February 28, 2013 (Unaudited)</b>	<b>November 30, 2012 (Audited)</b>
<b>Current</b>		
Cash and cash equivalents	\$ 1,035,055	\$ 1,349,460
Amounts receivable	66,697	61,864
Tax credit receivable (Note 4)	28,639	28,639
Prepaid expenses	103,157	120,058
	<u>1,233,548</u>	<u>1,560,021</u>
<b>Mineral Properties</b> (Note 4)	<u>2,719,312</u>	<u>2,719,176</u>
	<u>\$ 3,952,860</u>	<u>\$ 4,279,197</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 143,775	\$ 59,514
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 5)	6,096,455	6,096,455
<b>Reserves</b> (Note 5)	689,036	578,670
<b>Deficit</b>	<u>(2,976,406)</u>	<u>(2,455,442)</u>
	<u>3,809,085</u>	<u>4,219,683</u>
	<u>\$ 3,952,860</u>	<u>\$ 4,279,197</u>

**Nature of Operations and Going Concern** (Note 1)**Subsequent Event** (Note 10)

Approved by the Board of Directors:

"Jeffrey Wilson"

Jeffrey Wilson, Director

"Darryl Cardey"

Darryl Cardey, Director

**Precipitate Gold Corp.***(An Exploration Stage Company)***Interim Statements of Loss and Comprehensive Loss****For the Three Months Ended February 28, 2013 and February 29, 2012***Unaudited – Prepared by Management**In Canadian Dollars*

	<b>2013</b>	<b>2012</b>
<b>Expenses</b>		
Audit and accounting	\$ 7,500	\$ 9,375
Directors' fees	12,000	-
Exploration and evaluation (Note 4(f))	198,017	99,378
Foreign exchange loss	562	-
Insurance	4,218	937
Investor relations	51,028	-
Legal	8,836	304
Marketing, conferences and shareholder relations	46,140	10,961
Office and administrative	28,321	22,075
Rent	9,129	8,898
Salaries and wages	39,358	43,694
Share based compensation (Note 5(e))	110,366	-
Transfer agent and filing fees	9,261	-
<b>Total Expenses</b>	<b>524,736</b>	<b>195,622</b>
<b>Other Income:</b>		
Interest income	(3,772)	(51)
Other income (Note 5(c))	-	(24,000)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 520,964</b>	<b>\$ 171,571</b>
<b>Loss per share, basic and diluted</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>
<b>Weighted average shares outstanding</b>	<b>25,471,493</b>	<b>13,018,146</b>

– See Accompanying Notes –

**Precipitate Gold Corp.***(An Exploration Stage Company)***Interim Statements of Cash Flows****For the Three Months Ended February 28, 2013 and February 29, 2012***Unaudited – Prepared by Management**In Canadian Dollars*

<b>Cash Provided By (Used In):</b>	<b>2013</b>	<b>2012</b>
<b>Operating activities:</b>		
Loss for the period	\$ (520,964)	\$ (171,571)
Items not affecting cash:		
Share based compensation	110,366	-
Other income	-	(24,000)
Change in non-cash working capital:		
Accounts receivable	(4,833)	33,488
Prepaid expenses	16,901	(6,062)
Accounts payable and accrued liabilities	84,261	(20,581)
	<u>(314,269)</u>	<u>(188,726)</u>
<b>Investing activities:</b>		
Mineral property acquisition costs (Note 4(f))	<u>(136)</u>	<u>(4,272)</u>
<b>Financing activities:</b>		
Proceeds from issuance of shares (Note 5)	-	855,200
Share issue costs paid	-	(40,090)
Cash received from exercise of warrants (Note 5)	-	7,500
	<u>-</u>	<u>822,610</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(314,405)</b>	<b>629,612</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>1,349,460</b>	<b>483,124</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 1,035,055</b>	<b>\$ 1,112,736</b>
<b>Supplemental non-cash financing information:</b>		
Deferred financing costs included in accounts payable and accrued liabilities	\$ -	\$ 15,808

- See Accompanying Notes -

**Precipitate Gold Corp.***(An Exploration Stage Company)***Interim Statements of Changes in Equity****For the Three Months Ended February 28, 2013 and February 29, 2012***Unaudited – Prepared by Management**In Canadian Dollars*

	Share Capital		Reserves			Total \$
	Shares	Amount \$	Warrants \$	Options \$	Deficit \$	
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 placements (Note 5(b)(ii) & iii))	2,850,666	855,200	-	-	-	855,200
Exercise of warrants (Note 5(b)(i))	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
Comprehensive loss	-	-	-	-	(1,650,513)	(1,650,513)
IPO shares (Note 5(b)(iv))	5,500,000	2,200,000	-	-	-	2,200,000
IPO share issuance costs (Note 5(b)(iv))	-	(372,762)	-	-	-	(372,762)
Common shares issued for mineral property (Note 5(b)(v))	5,068,827	2,027,531	-	-	-	2,027,531
Fair value of Agent's options (Note 5(b)(iv))	-	(93,514)	-	93,514	-	-
Fair value of directors and consultants' options (Note 5(e))	-	-	-	485,156	-	485,156
Balance, November 30, 2012 <i>(Audited)</i>	25,471,493	6,096,455	-	578,670	(2,455,442)	4,219,683
Comprehensive loss	-	-	-	-	(520,964)	(520,964)
Share based compensation (Note 5(e))	-	-	-	110,366	-	110,366
Balance, February 28, 2013 <i>(Unaudited)</i>	25,471,493	6,096,455	-	689,036	(2,976,406)	3,809,085

– See Accompanying Notes –

## **Precipitate Gold Corp.**

*(An Exploration Stage Company)*

### **Notes to the Condensed Interim Financial Statements**

**For the Three Months Ended February 28, 2013 and February 29, 2012**

*Unaudited – Prepared by Management*

*In Canadian Dollars*

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#### **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 and the Dominican Republic. 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.

The unaudited condensed interim financial statements were approved by the Board of Directors on April 26, 2013.

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At February 28, 2013, the Company had not achieved profitable operations, had an accumulated deficit of \$2,976,406 since inception and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

#### **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 Consolidation**

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, 0945044 BC Ltd. which was incorporated in British Columbia, Canada, which owns 100% of Corporacion Minera San Juan, S.R.L. which is located in the Dominican Republic.

## **Precipitate Gold Corp.**

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### **Notes to the Condensed Interim Financial Statements**

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#### **2. Basis of Presentation - Continued**

##### **c) Functional and Presentation Currency**

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. Subsidiaries whose functional currency differ from that of the parent company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the date of the statement of financial position, and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

##### **d) Critical Accounting Judgments and Estimates**

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of mineral property; provision for environmental rehabilitation; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.



## **Precipitate Gold Corp.**

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#### **2. Basis of Presentation – Continued**

##### **d) Critical Accounting Judgments and Estimates – Continued**

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

###### Mineral property

The Company capitalizes mining property acquisition costs that are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

###### Going concern

Significant judgments are used in the Company's assessment of its ability to continue as a going concern which are described in Note 1.

###### Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions and models used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 5.

#### **3. Recent Accounting Pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

##### Accounting Standards Issued and Effective December 1, 2013

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.

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(An Exploration Stage Company)

### Notes to the Condensed Interim Financial Statements

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#### 3. Recent Accounting Pronouncements – Continued

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 Assets*.

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.

#### Accounting Standards Issued and Effective December 1, 2015

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.

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#### **4. Mineral Properties**

##### **a) Reef 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 4a(i));
- ii) All of the Jay East Property (Note 4a(ii)); and
- iii) The Bloom I-262 claims (Note 4a(iii)).

During the three months ended February 28, 2013, the Company incurred \$1,101 (2012 - \$37,255) in exploration expenditures on the Principal Property, comprised of \$1,035 (2012 - \$12,387) of exploration expenditures on the Reef I-48 claims, \$66 (2012 - \$9,627) of exploration expenditures on the Jay East Property, and \$Nil (2012 - \$15,241) of exploration expenditures on the Bloom I-262 claims.

##### **(i) Fireside Properties**

On April 14, 2011, the Company entered into an option agreement (the Fireside 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).
- 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 (incurred); and
  - \$1,300,000 on or before December 31, 2013.

## Precipitate Gold Corp.

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### Notes to the Condensed Interim Financial Statements

For the Three Months Ended February 28, 2013 and February 29, 2012

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In Canadian Dollars

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#### 4. Mineral Properties – Continued

##### a) Reef Property – Continued

###### (i) Fireside Properties – Continued

As required pursuant to the Fireside Option Agreement, the Company completed an Initial Public Offering (“IPO”), obtained a listing on the TSX-V (See Note 5(b)(iv)), and issued 5,068,827 common shares to Strategic equal to 19.9% of the Company’s issued and outstanding common shares immediately following 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 28, 2013, the Company had incurred \$6,263 (2012 - \$48,445) of exploration expenditures on the Fireside Properties, of which \$1,035 (2012 - \$12,387) was incurred on the Reef I-48 claims and \$5,228 (2012 - \$36,058) on the remaining claims.

###### (ii) Jay East Property

On July 29, 2011, the Company entered into an option agreement (the Jay East 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 Jay East 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 (paid);
  - \$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.

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*(An Exploration Stage Company)*

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**For the Three Months Ended February 28, 2013 and February 29, 2012**

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*In Canadian Dollars*

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#### **4. Mineral Properties – Continued**

##### **a) Reef Property – Continued**

###### *(ii) Jay East Property – Continued*

In order to keep the Jay East Option Agreement in good standing and earn an additional 19% interest in the Jay East 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 28, 2013, the Company had incurred \$66 (2012 - \$9,627) in exploration expenditures on the Jay East Property.

###### *(iii) 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 28, 2013, the Company has incurred \$Nil (2012 - \$12,387) in exploration expenditures on these claims.

##### **b) 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 28, 2013, the Company has incurred \$2,127 (2012 - \$Nil) in exploration expenditures on these properties.

##### **c) 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 three months ended February 28, 2013, the Company has incurred \$3,443 (2012 - \$26,065) in exploration expenditures on these properties.

## Precipitate Gold Corp.

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### Notes to the Condensed Interim Financial Statements

**For the Three Months Ended February 28, 2013 and February 29, 2012**

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#### **4. Mineral Properties – Continued**

##### **d) Properties in the Dominican Republic**

On November 9, 2012, the Company acquired 100% ownership of the shares of 0945044 BC Ltd., a private BC registered company (“BC Corp.”) which owns a 100% interest in the application for the Juan de Hererra, Higos Blancos and Hato Neuvo gold exploration concessions (“Dominican Republic properties”) in the Dominican Republic through Corporacion Minera San Juan, S.R.L. (“CMSJ”), its wholly-owned subsidiary. The Company paid \$60,000 to acquire the shares of BC Corp. from certain shareholders of the Company and substantially allocated the purchase consideration to the mineral properties.

In order for the Company to maintain its right, title and interest in BC Corp., the Company must complete the following cash payments, exploration expenditures and share issuances:

- Cash payments totalling \$390,000 as follows:
  - \$90,000 within 5 days of the date that the Dominican Republic Ministry grants exploration concessions over the Juan de Herrera Property (“Grant Date”);
  - \$150,000 on or before the first anniversary of the Grant Date; and
  - \$150,000 on or before the second anniversary of the Grant Date;
- Incur exploration expenditures totalling \$1,000,000 as follows:
  - \$250,000 on or before the first anniversary of the Grant Date;
  - \$300,000 on or before the second anniversary of the Grant Date; and
  - \$450,000 on or before the third anniversary of the Grant Date;
- Issue a total of 3,000,000 common shares of the Company as follows:
  - 1,000,000 common shares within 5 days of the Grant Date
  - 1,000,000 common shares on or before the first anniversary of the Grant Date; and
  - 1,000,000 common shares on or before the second anniversary of the Grant Date;

The properties are subject to a 3% net smelter royalty (“NSR”) from any base and precious metal commercial production. The Company may acquire 50% of the NSR by paying \$2,000,000 to BC Corp.

During the three months ended February 28, 2013, the Company has incurred \$174,820 (2012 - \$Nil) in exploration expenditures on the Dominican Republic properties.

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#### 4. Mineral Properties – Continued

##### e) Properties in Mexico

On February 19, 2013, the Company signed an option agreement with Gunpoint Exploration Ltd. (“Gunpoint”) whereby the Company has the right to acquire a 100% interest in the Cecilia gold-silver project in northeastern Sonora state, Mexico.

Under the terms of the agreement, the Company can elect to complete the acquisition by making the following cash payments and issuing the following common shares to Gunpoint:

- \$100,000 and 175,000 shares at the completion of due diligence on or before June 18, 2013;
- \$125,000 and 175,000 shares on or before the 1st anniversary of initial payment; and
- \$175,000 and 175,000 shares on or before the 2nd anniversary of initial payment.

The property is subject to a 1% NSR payable to the Mexican Government; for three small inlier concessions only.

During the three months ended February 28, 2013, the Company incurred \$11,298 (2012 - \$Nil) in exploration expenditures on the Mexican properties.

##### f) Acquisition Costs Summary

Details of acquisition costs incurred for the three months ended February 28, 2013, and the year ended November 30, 2012, are as follows:

	Yukon Properties	British Columbia Properties	Dominican Republic Properties	Total
Balance – November 30, 2011	\$ 316,422	\$ 38,670	\$ -	\$ 355,092
Acquisition and staking- cash	175,000	54,272	107,281	336,553
Acquisition and staking- shares	1,520,648	506,883	-	2,027,531
Balance – November 30, 2012	\$ 2,012,070	\$ 599,825	\$ 107,281	\$ 2,719,176
Acquisition and staking - cash	-	-	136	136
Balance – February 28, 2013	\$ 2,012,070	\$ 599,825	\$ 107,417	\$ 2,719,312

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For the Three Months Ended February 28, 2013 and February 29, 2012

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In Canadian Dollars

#### 4. Mineral Properties – Continued

##### g) Exploration and Evaluation Costs Summary

Details of exploration and evaluation costs incurred for the three months ended February 28, 2013, and the year ended November 30, 2012, are as follows:

	Three months ended February 28, 2013					Year ended November 30, 2012
	Yukon Properties	British Columbia Properties	Dominican Republic Properties	Mexico Properties	Total	Total
Exploration and evaluation costs:						
Aircraft charter	\$ -	\$ -	\$ -	\$ -	\$ -	7,715
Assays	389	-	9,432	-	9,821	17,167
Camp and general	-	-	1,077	-	1,077	43,523
Consulting	-	-	14,400	-	14,400	42,000
Courier, freight, and shipping	-	-	170	-	170	322
Field equipment and supplies	-	-	1,596	-	1,596	51,046
Fuel	-	-	558	-	558	4,818
Geological	988	3,375	87,250	6,750	98,363	213,806
Helicopter	-	-	8,526	-	8,526	36,437
Legal	-	-	-	-	-	7,670
Maps, orthophotos, reports	112	175	1,987	4,548	6,822	28,704
Office	270	90	14,711	-	15,071	6,865
Salaries and benefits	4,643	1,857	6,279	-	12,779	105,595
Transportation	-	-	4,090	-	4,090	4,617
Travel, meals, accommodation	-	-	24,744	-	24,744	29,153
Total exploration and evaluation costs	6,402	5,497	174,820	11,298	198,017	599,438
BC METC*	-	-	-	-	-	(28,639)
Net exploration and evaluation costs	6,402	5,497	174,820	11,298	198,017	570,799
Balance – beginning of period	858,362	264,932	42,266	-	1,165,560	594,761
Balance – end of period	\$ 864,764	\$ 270,429	\$ 217,086	\$ 11,298	\$ 1,363,577	\$ 1,165,560

\*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 for the year ended November 30, 2012 is \$28,639.



## Precipitate Gold Corp.

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#### 5. Shareholders' Equity

##### a) Authorized

Unlimited number of common shares without par value

##### b) Issued Share Capital

Share transactions for the year ended November 30, 2012:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) On May 24, 2012, the Company completed an initial public offering ("IPO") by issuing 5,500,000 common shares at \$0.40 per common share for gross proceeds of \$2,200,000 ("the Offering"). The Agent received:
  - i. a marketing commission equal to \$176,000 which was paid in cash;
  - ii. Agent's Options equal to 8% of the number of common shares issued in the Offering, being 440,000, with an exercise price of \$0.40 per share, expiring 24 months after listing on the TSX-V. These options were valued at \$93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

- iii. a corporate finance fee of \$40,000 plus HST of \$4,800, which was paid in cash;
- iv. reimbursement for expenses, including legal fees, third- party expenses and out of pocket expenses of \$18,884 including \$1,783 of HST.

Total cash share issuance costs, amounted to \$372,762 and mainly consisted of Agent's commission and corporate finance fee, legal, accounting, listing and filing fees.

- (v) On May 28, 2012, the Company also issued 5,068,827 common shares (the "Strategic Shares") to Strategic Metals Ltd. equal to 19.9% of the Company's issued and outstanding common shares immediately following the IPO pursuant to the mineral property option agreement.

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#### 5. Shareholders' Equity – Continued

##### Share transactions for the three months ended February 28, 2013:

There was no share transactions during the three months ended February 28, 2013.

#### 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. 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 non flow-through warrant activity for the three months ended February 28, 2013 and the year ended November 30, 2012 are as follows:

November 30, 2011	Issued	Exercised	November 30, 2012 and February 28, 2013	Exercise Price	Expiry Date
150,000	-	(150,000)	-	-	-

As at November 30, 2012 and February 28, 2013, there are no warrants outstanding.

#### e) Share Options

On December 5, 2011, the Company adopted a rolling share 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 shares 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 share option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule at its discretion.

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#### 5. Shareholders' Equity – Continued

##### e) Share Options – Continued

Details of activity in share purchase options for the three months ended February 28, 2013 and the year ended November 30, 2012 are as follows:

November 31, 2012	Issued	Forfeited	February 28, 2013	Exercise Price	Expiry Date
440,000	-	-	440,000	\$0.40	May 29, 2014
-	100,000	-	100,000	\$0.40	February 11, 2015
1,930,000	-	(250,000)	1,680,000	\$0.40	May 29, 2017
150,000	-	-	150,000	\$0.46	August 21, 2017
150,000	-	-	150,000	\$0.40	September 5, 2017
-	150,000	-	150,000	\$0.25	December 3, 2017
-	150,000	-	150,000	\$0.25	January 7, 2018
2,670,000	400,000	(250,000)	2,820,000	\$0.39	

November 30, 2011	Issued	Exercised	November 30, 2012	Exercise Price	Expiry Date
-	440,000	-	440,000	\$0.40	May 29, 2014
-	1,930,000	-	1,930,000	\$0.40	May 29, 2017
-	150,000	-	150,000	\$0.46	August 21, 2017
-	150,000	-	150,000	\$0.40	September 5, 2017
-	2,670,000	-	2,670,000	\$0.40	

The weighted average remaining life of the 2,820,000 options outstanding is 3.79 years.

- (i) On May 29, 2012, the Company granted 440,000 options to its agent, equal to 8% of the number of common shares issued in the Initial Public Offering, with an exercise price of \$0.40 per share, expiring on May 29, 2014, 24 months after listing on the TSX-V. All options vested on the date of grant. On the date of grant, these options were valued at \$93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk-free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

- (ii) On May 29, 2012, the Company granted to its directors and officers 1,930,000 share options with an exercise price of \$0.40 per share expiring on May 29, 2017. A fair value of \$61,902 was recorded for the three months ended February 28, 2013 as share-based compensation in the statement of operations and included in reserves.

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#### 5. Shareholders' Equity – Continued

##### e) Share Options – Continued

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	109.94%
Risk-free interest rate	1.38%
Expected life of options	5 years
Expected dividend yield	0.00%

- (iii) On August 21, 2012, the Company granted 150,000 stock options to its consultant. The options have an exercise price of \$0.46 per share and expire on August 21, 2017. A fair value of \$13,179 was recorded for the three months ended February 28, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	113.98%-118.91%
Risk-free interest rate	1.40%
Expected life of options	5 years
Expected dividend yield	0.00%

- (iv) On September 5, 2012, the Company granted 150,000 stock options to its consultants. The options have an exercise price of \$0.40 per share and expire on September 5, 2017. A fair value of \$9,900 was recorded for the three months ended February 28, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	112.33%-119.48%
Risk-free interest rate	1.26%
Expected life of options	5 years
Expected dividend yield	0.00%

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#### 5. Shareholders' Equity – Continued

##### e) Share Options – Continued

- (v) On December 3, 2012, the Company granted 150,000 stock options to an officer and director. The options have an exercise price of \$0.25 per share and expire on December 3, 2017. The fair value of \$10,878 was recorded for the three months ended February 28, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	114.56%-120.36%
Risk-free interest rate	1.23%
Expected life of options	5 years
Expected dividend yield	0.00%

- (vi) On January 7, 2013, the Company granted 150,000 stock options to an officer and director. The options have an exercise price of \$0.25 per share and expire on January 7, 2018. The fair value of \$10,527 was recorded for the three months ended February 28, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	114.86%-121.35%
Risk-free interest rate	1.42%
Expected life of options	5 years
Expected dividend yield	0.00%

- (vii) On February 11, 2013, the Company granted 100,000 stock options to an investor relations consultant. The options have an exercise price of \$0.40 per share and expire on February 11, 2015. The fair value of \$3,980 was recorded for the three months ended February 28, 2013 as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	105.18%-105.75%
Risk-free interest rate	0.99%
Expected life of options	2 years
Expected dividend yield	0.00%

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#### 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) were released from escrow upon completion of the IPO on May 24, 2012, and 15% of the shares are released from escrow every 6 months thereafter. As of February 28, 2013, there were 1,998,750 common shares remaining in escrow.

Pursuant to an escrow agreement dated May 24, 2012, 3,846,367 Strategic Shares were placed in escrow ("Strategic Escrowed Shares"). 10% of the Strategic Escrowed Shares (384,637 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of February 28, 2013, there were 2,884,775 Strategic Shares remaining in escrow.

#### 6. Segmented Information

##### a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada and the Dominican Republic.

##### b) Geographic Segments

The Company's geographic information as at February 28, 2013 and November 30, 2012 are as follows:

As at February 28, 2013	Canada	Dominican Republic	Total
<u>Assets</u>			
Mineral properties	\$ 2,611,895	\$ 107,417	\$ 2,719,312
Other assets	1,197,624	35,924	1,233,548
<b>Total</b>	<b>\$ 3,809,519</b>	<b>\$ 143,341</b>	<b>\$ 3,952,860</b>
As at November 30, 2012	Canada	Dominican Republic	Total
<u>Assets</u>			
Mineral properties	\$ 2,611,895	\$ 107,281	\$ 2,719,176
Other assets	1,537,691	22,330	1,560,021
<b>Total</b>	<b>\$ 4,149,586</b>	<b>\$ 129,611</b>	<b>\$ 4,279,197</b>

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#### 6. Segmented Information – Continued

##### b) Geographic Segments – Continued

For the three months ended February 28, 2013				
	Canada	Dominican Republic	Mexico	Total
<u>Expenses</u>				
Exploration and evaluation	\$ 11,899	\$ 174,820	\$ 11,298	\$ 198,017
Share-based compensation	110,366	-	-	110,366
Other operating expenses	215,679	674	-	216,353
Other (income) expenses	(3,772)	-	-	(3,772)
Net loss for the year	\$ 334,172	\$ 175,494	\$ 11,298	\$ 520,964

The Company only had one geographic segment during the three months ended February 29, 2012 which is in Canada.

#### 7. Related Party Transactions

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

- During the three months ended February 28, 2013, the Company paid for \$33,750 (2012 - \$Nil) of salaries and wages to the President and CEO of the Company.
- During the three months ended February 28, 2013, the Company paid/accrued for \$33,750 (2012 - \$28,125) of geological consulting fees and HST of \$4,050 (2012 - \$3,375) to the Vice President of Exploration of the Company, of which \$12,600 was included in accounts payable and accrued liabilities as at February 28, 2013 (November 30, 2012 - \$Nil).
- During the three months ended February 28, 2013, the Company paid/accrued \$7,500 (2012 - \$6,000) in accounting fees, \$7,500 (2012 - \$5,500) in office and administration expense and \$1,800 (2012 - \$1,380) of HST to a company partially controlled by a director of the Company, of which \$476 was included in accounts payable and accrued liabilities as at February 28, 2013 (November 30, 2012 - \$Nil).
- During the three months ended February 28, 2013, the Company paid \$6,000 (2012 - \$2,000) of salaries and wages to the Company's CFO.
- During the three months ended February 28, 2013, the Company paid salaries and wages of \$Nil (2012 - \$38,749) to the Company's former President and CEO.
- During the three months ended February 28, 2013, the Company paid/accrued a total of \$12,000 (2012 - \$Nil) plus HST of \$720 (2012 - \$Nil) to the four directors of the Company, of which \$4,120 (2011 - \$6,720) was included in accounts payable and accrued liabilities.

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#### 7. Related Party Transactions – Continued

- (g) Total fair value of the share-based payments to directors and officers, being key management personnel, is \$74,846 (2012 - \$Nil) for the three months ended February 28, 2013.

#### 8. 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.

#### 9. Financial Instruments

The classification of the financial instruments as well as their carrying values as at February 28, 2013 is shown in the table below:

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Financial assets:	
Loans and receivables, measured at amortized cost:	
Cash and cash equivalents, amounts receivable and tax credit receivable	\$ 1,130,391
Financial liabilities, measured at amortized cost:	
Accounts payable and accrued liabilities	\$ 143,775

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##### a) Fair Values

The fair value of cash and cash equivalents, amounts receivable, tax credit receivable and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity.

##### 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.



## **Precipitate Gold Corp.**

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### **Notes to the Condensed Interim Financial Statements**

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#### **9. Financial Instruments – Continued**

##### 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. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, amounts and tax credit receivable. Cash and cash equivalents are held with a major Canadian financial institution and the receivables are from Government entities. Management is of the view that all amounts are fully collectible.

##### 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) Political Risk

The Company recently acquired a company that is currently applying for the rights to properties in the Dominican Republic and entered into an option agreement to acquire interest in properties in Mexico. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

##### f) Foreign Currency Fluctuation Risk

The Company has vendors in both Canada, Dominican Republic and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions.

#### **10. Subsequent Event**

On April 23, 2013, the Company announced that it had amended the Fireside Property Option Agreement and that the Company and Strategic have agreed that:

- 1) Precipitate is now deemed to have fully exercised its option and completed the acquisition of a 100% interest in the Reef, Papua, and Borneo properties in southeast Yukon, subject to a 2% NSR to Strategic;
- 2) Precipitate is deemed to have terminated the option on 14 remaining Fireside properties, with Strategic retaining its 100% interest in those claims; and
- 3) No further payments or expenditures are required by Precipitate.