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**Consolidated Financial Statements**

**Plato Gold Corp.**

**For the Years Ended December 31, 2012 and 2011  
(Stated in Canadian Dollars)**

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# PLATO GOLD CORP

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and other financial information for this annual report were prepared by the management of Plato Gold Corp., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the consolidated financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with International Financial Reporting Standards. Management has included amounts in the Company's consolidated financial statements based on estimates, judgments, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

"Anthony J. Cohen"  
*President and CEO*

"Greg K. W. Wong"  
*CFO*

Toronto, Ontario  
April 22, 2013

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Plato Gold Corp.**

We have audited the accompanying consolidated financial statements of Plato Gold Corp. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Plato Gold Corp. and its subsidiary as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which states that the Company has not yet realized profitable operations which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*Collins Barrow Toronto LLP*

Licensed Public Accountants  
Chartered Accountants  
April 22, 2013  
Toronto, Ontario

# Plato Gold Corp.

Consolidated Statements of Financial Position  
Stated in Canadian dollars

	December 31, 2012	December 31, 2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 382,065	\$ 58,337
Other receivables (note 4)	161,654	462,955
Deposits and prepaid expenses	7,799	413
Portfolio investments (note 5)	187,750	35,000
	<u>739,268</u>	<u>556,705</u>
<b>Mineral Properties and Deferred Exploration Costs</b> (note 6)	1,787,367	5,519,599
<b>Equipment</b> (note 7)	532	760
	<u>\$ 2,527,167</u>	<u>\$ 6,077,064</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 13)	\$ 660,351	\$ 388,891
Due to a related party (note 8)	257,500	100,000
	<u>917,851</u>	<u>488,891</u>
<b>Deferred Tax Liability</b> (note 12)	-	243,487
	<u>917,851</u>	<u>732,378</u>
<b>Shareholders' Equity</b>		
<b>Share Capital</b> (note 9)	6,179,587	6,179,587
<b>Warrants</b> (note 10)	382,691	814,245
<b>Contributed Surplus</b> (note 11)	2,804,584	2,373,030
<b>Deficit</b>	(7,769,011)	(4,033,641)
	<u>1,597,851</u>	<u>5,333,221</u>
<b>Non-Controlling Interest</b>	11,465	11,465
	<u>\$ 2,527,167</u>	<u>\$ 6,077,064</u>

The accompanying notes form an integral part of these consolidated financial statements.

Approved on behalf of the Board

"Anthony J. Cohen", Director

"Robert Van Tassell", Director

# Plato Gold Corp.

Consolidated Statements of Comprehensive Loss  
For the Years Ended December 31  
Stated in Canadian dollars

	2012	2011
<b>Income</b>		
Gain on sale of property	\$ -	\$ 104,047
Interest income	1,378	2,732
	<u>1,378</u>	<u>106,779</u>
<b>Expenses</b>		
Acquisition costs	-	5,162
Amortization	228	326
Consulting fees	117,996	115,896
Insurance	10,295	10,594
Interest	381	7,173
Investor relations	20,189	43,120
Office and general	16,957	20,072
Professional fees	148,636	143,340
Publicity and advertising	6,089	44,384
Rent	24,000	24,000
Salaries and benefits	161,622	160,961
Share-based compensation (note 11(c))	-	140,502
Transfer and filing fees	38,605	29,293
Unrealized loss (gain) on portfolio investment	(12,750)	54,250
Write-down of mineral properties (note 6)	3,447,987	-
	<u>3,980,235</u>	<u>799,073</u>
<b>Income (Loss) Before Income Taxes</b>	<b>(3,978,857)</b>	<b>(692,294)</b>
<b>Deferred Income Tax Recovery</b> (note 12)	<b>243,487</b>	<b>134,017</b>
<b>Net Income (Loss) and Comprehensive Income (Loss)</b>	<b>\$ (3,735,370)</b>	<b>\$ (558,277)</b>
<b>Loss per Share - basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ -</b>
<b>Weighted Average Number of Common Shares Outstanding - basic and diluted</b>	<b>143,591,655</b>	<b>135,524,422</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Plato Gold Corp.

Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended December 31

Stated in Canadian dollars

	<u>Share Capital</u>		Warrants	Contributed Surplus	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	Amount					
Balance - December 31, 2010	118,191,655	\$ 5,468,273	\$ 765,285	\$ 1,820,755	\$ (3,475,364)	\$ -	\$ 4,578,949
Net assets attributable to non-controlling interest	-	-	-	-	-	11,465	11,465
Share-based compensation	-	-	-	140,502	-	-	140,502
Agent's warrants granted	-	(48,029)	48,029	-	-	-	-
Proceeds from private placements	25,400,000	800,068	469,932	-	-	-	1,270,000
Issuance costs (net of tax)	-	(40,725)	(57,228)	-	-	-	(97,953)
Warrants expired	-	-	(411,773)	411,773	-	-	-
Total comprehensive loss	-	-	-	-	(558,277)	-	(558,277)
Balance - December 31, 2011	143,591,655	\$ 6,179,587	\$ 814,245	\$ 2,373,030	\$ (4,033,641)	\$ 11,465	\$ 5,344,686

	<u>Share Capital</u>		Warrants	Contributed Surplus	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	Amount					
Balance - December 31, 2011	143,591,655	\$ 6,179,587	\$ 814,245	\$ 2,373,030	\$ (4,033,641)	\$ 11,465	\$ 5,344,686
Warrants expired	-	-	(431,554)	431,554	-	-	-
Total comprehensive loss	-	-	-	-	(3,735,370)	-	(3,735,370)
Balance - December 31, 2012	143,591,655	\$ 6,179,587	\$ 382,691	\$ 2,804,584	\$ (7,769,011)	\$ 11,465	\$ 1,609,316

The accompanying notes form an integral part of these consolidated financial statements.

# Plato Gold Corp.

Consolidated Statements of Cash Flow

For the Years Ended December 31

Stated in Canadian dollars

	2012	2011
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (3,735,370)	\$ (558,277)
Items not involving cash		
Gain on sale of property	-	(104,047)
Unrealized gain on portfolio investment	(12,750)	-
Amortization	228	326
Share-based compensation	-	140,502
Write-down of mineral properties	3,447,987	-
Deferred income tax recovery	(243,487)	(134,017)
Unrealized loss on portfolio investment	-	54,250
	<u>(543,392)</u>	<u>(601,263)</u>
Changes in non-cash working capital		
Other receivables	16,822	(16,952)
Deposits and prepaid expenses	(7,386)	34,020
Accounts payable and accrued liabilities	308,311	17,152
	<u>(225,645)</u>	<u>(567,043)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from private placements	-	1,270,000
Share issuance costs (net of tax)	-	(97,953)
Advances from a related party	157,500	100,000
Repayment of advances from related party	-	(110,000)
	<u>157,500</u>	<u>1,162,047</u>
<b>Cash Flows from Investing Activities</b>		
Mineral properties and deferred explorations costs	(36,098)	(1,445,979)
Proceeds on sale of property	-	72,000
Option payments received	40,000	70,000
Government rebates	387,971	87,147
	<u>391,873</u>	<u>(1,216,832)</u>
<b>Change in cash</b>	<b>323,728</b>	<b>(621,828)</b>
<b>Cash - beginning of year</b>	<b>58,337</b>	<b>680,165</b>
<b>Cash - end of year</b>	<b>\$ 382,065</b>	<b>\$ 58,337</b>
<b>Non-cash financing and investing activities</b>		
Warrants granted to agent	\$ -	\$ 48,029
Stock options granted to directors, officers and employees	\$ -	\$ 140,502
Share consideration received on disposition of property (notes 5 and 6)	\$ 140,000	\$ 89,250

The accompanying notes form an integral part of these consolidated financial statements.



# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 1. Nature of Operations and Going Concern

Plato Gold Corp. (the "Company") is an Ontario corporation formed by amalgamation on May 30, 2005. The primary offices are located at 1300 Bay Street, Suite 300, Toronto, Ontario M5R 3K8.

The Company is a public gold exploration company with three projects. The first project is the Timmins Gold Project in Northern Ontario which includes four properties (Guibord, Harker, Holloway and Marriott) in what is sometimes referred to as the Harker/Holloway gold camp located east of Timmins. The second project, the Val d'Or Project in Northern Quebec, includes six properties (Vauquelin, Vauquelin Pershing, Vauquelin Horseshoe, Pershing Denain, Hop O'My Thumb and Vauquelin II). The third project, the Lolita Project in Santa Cruz, Argentina, includes three adjoining concessions in Southern Argentina, which are held by the Company's 75% owned subsidiary, Winnipeg Minerals S.A. ("WMSA").

The Company is in the process of exploring its mineral properties and has not yet determined whether its properties in Ontario, Quebec and Argentina contain economic mineral reserves. Consequently, at December 31, 2012 the Company considers itself to be an exploration stage company with respect to these properties.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$7,769,011 (2011 - \$4,033,641) as at December 31, 2012. The Company's continued existence is dependent upon its ability to raise additional capital and develop profitable operations. Management believes that it has the ability to raise the required additional funding. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities. As at December 31, 2012, the Company had current assets of \$739,268 (2011 - \$556,705) to cover current liabilities of \$917,851 (2011 - \$488,891).

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used. These adjustments may be material.

## 2. Basis of Presentation

The Company's consolidated financial statements reflect the results of operations for the year ended December 31, 2012 and 2011, and the assets, liabilities and shareholders' equity as at December 31, 2012 and December 31, 2011.

The consolidated financial statements include the accounts of the Company and its 75% owned subsidiary, Winnipeg Minerals S.A., an Argentinean company. All significant intercompany balances and transactions have been eliminated on consolidation.

# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 2. Basis of Presentation (continued)

### a) Statement of Compliance

The significant accounting policies (note 3) have been applied consistently to all periods presented in these consolidated financial statements.

The policies applied in the Company's consolidated financial statements are based on IFRS effective as of December 31, 2012. The date that the Board of Directors approved the statements is April 22, 2013.

### b) Basis of Measurement

The Company's consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

### c) Functional and Presentation Currency

Plato Gold Corp.'s and Winnipeg Minerals S.A.'s ("WMSA") functional currency is Canadian Dollars. The consolidated financial statements are presented in Canadian Dollars.

### d) Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of operations during the reporting period. Significant estimates and assumptions include those related to the following:

- the recoverability of the carrying value of the resource properties,
- the inputs used in determining the value of share based payments
- management's determination that there is no deferred tax asset recognized in these consolidated financial statements and,
- the ability to continue as a going concern.

While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

Management has also used its judgement in determining that the functional currency of the Company is the Canadian dollar and the state of development of the mineral properties as exploration stage for the Company's properties in Ontario, Quebec and Argentina.

# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

### a) Foreign Currency Transactions

The Company's consolidated financial statements are presented in Canadian Dollars. Costs are primarily incurred in Canadian Dollars. The Company incurs costs at its Lolita Project in Argentina primarily in US Dollars and Argentine Pesos. Although these transactions are in foreign currencies, the predominant currency of financing and management decisions is the Canadian Dollar, and as such, it is also the Company's functional currency and the functional currency of its subsidiary.

The Company translates monetary assets and liabilities at the rate of exchange in effect at the balance sheet date and non-monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occur. Gains and losses on translation are recorded in the statement of operations.

### b) Mineral Properties and Deferred Exploration Costs

The Company records its mineral exploration expenditures at cost. Acquisition costs of resource properties together with direct exploration expenditures thereon are deferred in the accounts starting on the date of acquisition of the property rights. When production is attained, these costs will be amortized on a units-of-production basis. If the properties are abandoned, sold or considered to be impaired in value, the costs of the properties and related deferred expenses will be written down at that time. When deferred expenditures on individual producing properties exceed the estimated recoverable amount, the properties are written down to the recoverable amount.

Exploration and evaluation expenditures include costs which are directly attributable to acquisition, surveying, geological, geochemical, geophysical, exploratory drilling, land maintenance, sampling and assessing technical feasibility and commercial viability. Management salaries directly related to exploration and evaluation expenditures are not capitalized. These expenditures are capitalized until the technical feasibility and commercial viability of the extraction of mineral reserves in a project is demonstrated. Amounts received from other parties to earn an interest in the Company's resource properties are applied as a reduction of the resource properties. During the exploration period, exploration and evaluation assets are not amortized.

# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 3. Significant Accounting Policies (continued)

### b) Mineral Properties and Deferred Exploration Costs (continued)

All capitalized exploration and evaluation expenditures are monitored for indications of impairment, to ensure that commercial quantities of reserves exist or that exploration activities related to the property are continuing or planned for the future. If an exploration property does not prove viable, all unrecoverable costs associated with the project are expensed. Once a project is determined to be technically feasible and commercially viable and a decision has been made to proceed with development, the relevant exploration and evaluation asset is tested for impairment and the balance is reclassified as a mine development asset which is allocated between property, plant and equipment and intangible assets. All subsequent expenditures to ready the property for production are capitalized within mine development assets, other than those costs related to the construction of property, plant and equipment. Once production has commenced, all costs included in mine development assets are reclassified to mining properties.

Government rebates and option payments received related to exploration are reflected as a reduction of the cost of exploration.

The Company is in the process of exploring and evaluating its mineral properties and has not yet determined the amount of reserves available. On a quarterly basis in connection with quarterly reporting, senior management reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any indication of impairment in value.

### c) Equipment

Equipment is recorded at cost. Amortization is provided over the estimated useful lives of the assets using the declining-balance method at the following rates per annum:

Computer equipment	30%
Furniture and fixtures	30%

During the year of acquisition, half of the annual amortization is recorded.

### d) Impairment of Long Lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 3. Significant Accounting Policies (continued)

### d) Impairment of Long Lived Assets (continued)

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### e) Flow-through Financing

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investors. Proceeds received on the issuance of such shares have been credited to share capital less the premium paid for the sale of tax deductions.

The issue of flow through shares is in substance an issue of ordinary shares and the sale of tax deductions. The sale of tax deductions are measured using the relative fair value method. At the time the flow through shares are issued, the sale of tax deductions is deferred and is presented as other liabilities in the statement of financial position, because the Company has not yet fulfilled its obligation to pass on the tax deductions to the investor. When the Company fulfills its obligation:

- (i) the sale of tax deductions is recognized in the income statement as a reduction of the deferred tax expense; and
- (ii) a deferred tax liability is recognized, in accordance with IAS 12, Income Taxes, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

The obligation is fulfilled when the eligible expenditures are incurred and there is an intention to renounce the expenditures.

# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 3. Significant Accounting Policies (continued)

### f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax value, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Deferred income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is probable that they will be realized. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity.

### g) Share-based Payments

The Company accounts for share-based payments to employees using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the options are earned, after taking any expected forfeitures into account. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Common share purchase warrants, stock options and other equity instruments issued to parties other than employees and as purchase consideration in non-cash transactions are recorded at the fair value of the goods and services received, unless the fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be reliably estimated, then the value is determined by management using the Black-Scholes option pricing model or for shares issued as purchase consideration for mineral property assets is based upon the trading price of those shares on the date that the consideration is transferred.

### h) Warrants

Proceeds from unit placements, net of issuance costs, are allocated between shares and warrants issued according to their relative fair value.

# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 3. Significant Accounting Policies (continued)

### i) Decommissioning Liabilities

The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and becoming more restrictive. The fair value of an obligation to incur restoration, rehabilitation and environmental costs is to be recognized when incurred and the corresponding increase to the asset is amortized over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value.

As at December 31, 2012 the Company has not incurred and is not committed to any decommissioning obligations in respect of its mineral exploration properties.

### j) Loss Per Share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the weighted average number of shares that would be issued on the conversion of all potentially dilutive options and warrants into common shares. The Company was in a loss position as at December 31, 2012 and 2011 therefore its options and warrants are anti-dilutive.

If the number of shares increases or decreases as a result of capitalization, bonus issue, share splits or share consolidation, earnings per share is accounted for retrospectively. If these transactions occur after the reporting period but prior to the issuance of the financial statements, loss per share is calculated based on the new number of shares.

### k) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the amount agreed to by the parties involved in the transactions.

### l) Cash

Cash include bank deposits. As at December 31, 2012 and December 31, 2011, the Company did not have any cash equivalents.

### m) Financial Instruments

IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") requires classification of financial instruments into one of four categories: financial assets at fair value through profit and loss, held-to-maturity investments, loans and receivables, available-for-sale securities, and other financial liabilities. The Company determines the classification of its financial assets and liabilities at initial recognition.

# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 3. Significant Accounting Policies (continued)

### m) Financial Instruments (continued)

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent on the classification of each financial instrument. Financial assets at fair value through profit or loss include cash, and portfolio investments, which are measured at fair value and all gains and losses are included in net loss in the period in which they arise. Loans and receivables, which include other receivables, are recorded at amortized cost. The Company has no financial assets classified as available-for-sale or as held-to-maturity. Other financial liabilities at amortized cost include accounts payable and accrued liabilities and amount due to a related party.

The Company's financial instruments measured at fair value on the balance sheet consist of cash and portfolio investments. Cash and portfolio investments are measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit and loss. For other financial instruments, transaction costs are capitalized on initial recognition.

### n) Future Accounting Changes

The following pronouncements issued by the IASB and interpretations published by the International Financial Reporting Interpretations Committee (IFRIC) will become effective for annual periods beginning on or after January 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. A new definition of 'control' has been established. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation - Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements.



# Plato Gold Corp.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2012 and 2011  
Stated in Canadian Dollars

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## 3. Significant Accounting Policies (continued)

### n) Future Accounting Changes (continued)

IFRS 11 - Joint Arrangements establishes the principles for joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method whereas for a joint operation the venture will be accounted for using the proportionate consolidation method.

IFRS 12 - Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 27 continues to include the requirements relating to separate financial statements which are unchanged and included in the amended IAS 27. The other portions of IAS 27 are replaced by IFRS 10. IAS 28 Investments in Associates and Joint Ventures is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 permits capitalization of stripping costs if all of the three criteria are met: probability of economic benefit, identifiability of ore body and measurability of stripping costs. IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities.

The IASB also amended the following standard which is effective as per the date identified.

IFRS 9 - Financial Instruments addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method to be used. The IASB has extended the effective date to January 1, 2015.

The Company has not yet completed its evaluations of the effect of adopting the above standards and the impact it may have on its consolidated financial statements.

# Plato Gold Corp.

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## 4. Other Receivables

Other receivables include Government mining rebates receivable of \$103,491 (2011 - \$387,970) based on exploration expenditures and receivables from related party of \$47,824 (2011 - \$74,985). The receivables from related party are due on demand and do not bear interest. Due to the short term nature, the carrying amount of the receivables approximates fair value. The related party holds the non-controlling interest in WMSA.

## 5. Portfolio Investments

On May 25, 2011, the Company acquired 175,000 common shares of the publicly traded company Northern Gold Mining Inc. with a cost of \$89,250 as a result of a property sale agreement. On July 26, 2012, the Company acquired 1,000,000 shares of the publicly traded company Victory Gold Mines Inc. ("Victory Gold") with a cost of \$140,000 as a result of an option agreement. Both investments are classified at fair value through profit and loss. The estimated fair value of these investments at December 31, 2012 is \$187,750 (2011 - \$35,000).

## 6. Mineral Properties and Deferred Exploration Costs

	December 31, 2012			
	Timmins Gold Project	Val d'Or Project	Lolita Project	Total
Acquisition costs	\$ -	\$ 1,327	\$ -	\$ 1,327
Diamond drilling	-	-	-	-
Geochemical	-	-	-	-
Geology	-	-	5,345	5,345
Geophysics	-	-	-	-
Other	1,826	8,848	21,900	32,574
Current expenditures	1,826	10,175	27,245	39,246
Less government rebates	-	(103,491) <sup>(1)</sup>	-	(103,491)
Less option payments received	(220,000)	-	-	(220,000)
Net current expenditures	(218,174)	(93,316)	27,245	(284,245)
Balance - beginning of year	1,634,070	3,617,851	267,678	5,519,599
Write-down of mineral property	-	(3,447,987)	-	(3,447,987)
Balance - end of year	\$ 1,415,896	\$ 76,548	\$ 294,923	\$ 1,787,367

# Plato Gold Corp.

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## 6. Mineral Properties and Deferred Exploration Costs (continued)

	December 31, 2011			
	Timmins Gold Project	Val d'Or Project	Lolita Project	Total
Acquisition costs	\$ -	\$ 3,377	\$ -	\$ 3,377
Diamond drilling	5,500	947,305	-	952,805
Geochemical	-	65,657	-	65,657
Geology	-	214,369	110,293 <sup>(2)</sup>	324,662
Geophysics	-	103,465	-	103,465
Other	3,372	13,165	64,488	81,025
Current expenditures	8,872	1,347,338	174,781	1,530,991
Less government rebates	-	(387,970) <sup>(1)</sup>	-	(387,970)
Less disposition of property	(57,203)	-	-	(57,203)
Less option payments received	(20,000)	(50,000)	-	(70,000)
Net current expenditures	(68,331)	909,368	174,781	1,015,818
Balance - beginning of year	1,702,401	2,708,483	92,897	4,503,781
Balance - end of year	\$ 1,634,070	\$ 3,617,851	\$ 267,678	\$ 5,519,599

<sup>(1)</sup> Rebate includes an amount receivable of \$103,491 (2011 - \$387,970)

<sup>(2)</sup> Includes gross expenditures of \$148,422 less 25% joint venture interest of \$44,957.

### a) Timmins Gold Project

The Timmins Gold Project is comprised of four properties along the Destor-Porcupine Fault Zone located east of Timmins. The properties are comprised of 4 leases and 93 claims for a total of approximately 2,200 hectares in the region. The properties are subject to a 2% net smelter royalty to a former director of the Company.

#### i) St Andrew Option

On November 8, 2010, the Company entered into an agreement granting St Andrew Goldfields Ltd. ("St Andrew") the option to earn a 75% interest in the Company's Timmins Gold Project consisting of four properties located in the Townships of Guibord, Harker, Holloway, and Marriott.

The Company received an initial payment of \$100,000 upon the execution of the option agreement.

# Plato Gold Corp.

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## 6. Mineral Properties and Deferred Exploration Costs (continued)

### a) Timmins Gold Project (continued)

#### i) St Andrew Option (continued)

With respect to the Holloway Property, to earn its 75% interest St Andrew will be required to incur exploration expenditures of \$100,000 on or before the first anniversary, \$200,000 on or before the second anniversary, and \$500,000 on or before the third anniversary of the effective date. As well, St Andrew will be required to make additional payments to the Company of \$20,000 on or before the first anniversary, \$40,000 on or before the second anniversary, and \$60,000 on or before the third anniversary of the effective date. As of December 31, 2012, St Andrew has met the requirements of the first and second anniversary.

With respect to the Guibord Property, to earn its 75% interest St Andrew will be required to incur exploration expenditures of \$100,000 on or before the first anniversary, \$200,000 on or before the second anniversary, and \$500,000 on or before the third anniversary of the effective date. As well, St Andrew will be required to make additional payments to the Company of \$60,000 on or before the second anniversary, and \$60,000 on or before the third anniversary of the effective date. As of December 31, 2011, St Andrew has met the requirement of the first anniversary. In July 2012, an amending joint option agreement was entered into between Victory Gold Mines Inc., St Andrew and the Company in exchange for a cash payment of \$40,000 from Victory Gold and 1,000,000 Victory Gold Shares with a fair value at the time of acquisition of \$140,000. The 16 claims will be owned 40% by Victory Gold and 10% by St. Andrew, with the remaining 50% retained by the Company. Victory Gold has the opportunity to earn an additional 20% and St. Andrew has the opportunity to earn an additional 5% if Victory Gold spends a minimum of \$700,000 in eligible exploration expenditures and makes a cash payment of \$100,000 to the Company on or before July 26, 2015. On or before July 26, 2014, Victory Gold will notify the Company and St Andrew as to whether they intend to complete the option of the additional 20%. If they elect not to, St Andrew may elect to spend an additional \$200,000 in eligible expenditures and a \$100,000 cash payment by Victory Gold to the Company to earn a 25% interest in the property, resulting in the property being owned by the Company 25%, Victory Gold 50% and St Andrew 25%.

With respect to the Harker Property, to earn its 75% interest St Andrew will be required to incur exploration expenditures of \$50,000 on or before the first anniversary, and \$250,000 on or before the second anniversary of the effective date. As well, St Andrew will be required to make additional payments to the Company of \$50,000 on or before the second anniversary of the effective date. As of December 7, 2011, St Andrew has not met the requirement of the option agreement and the property has reverted to the Company.

With respect to the Marriott Property, to earn its 75% interest St Andrew will be required to incur exploration expenditures of \$100,000 on or before the third anniversary, and \$200,000 on or before the fourth anniversary of the effective date. As well, St Andrew will be required to make additional payments to the Company of \$20,000 on or before the third anniversary, and \$30,000 on or before the fourth anniversary of the effective date. As of December 31, 2012, St Andrew is in compliance with the requirements of this agreement.

# Plato Gold Corp.

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## 6. Mineral Properties and Deferred Exploration Costs (continued)

### a) Timmins Gold Project (continued)

#### i) St Andrew Option (continued)

In addition, if a National Instrument 43 101 compliant mineral resource, whether measured, indicated or inferred, of not less than 500,000 ounces of gold is discovered on any one of the properties while St Andrew is earning its interest, St Andrew will make a payment of \$1 million to the Company for each property reaching such milestones. The additional payment obligation shall apply to each property independently of the other properties and as of December 31, 2012 for this amounts to a potential of up to \$2 million in milestone payments. As of December 31, 2012, no such resources have been discovered. The option in respect of each property may be exercised or terminated separately by St Andrew.

#### ii) Sale of Harker Garrison Claims

On May 25, 2011, the Company sold its 100% interest in its 24 Harker Garrison Claims to Northern Gold Mining Inc. Proceeds consisted of a cash payment of \$72,000 and 175,000 shares of Northern Gold Mining Inc. valued at the date of the transaction at \$89,250. A gain of \$104,047 on the disposition of the claims was recorded.

### b) Val d'Or Project

The Val d'Or Project is comprised of six properties located south east of Val d'Or, Quebec. The properties consist of 230 claims for a total of 3,822 hectares. One property with 38 claims is subject to a 2% net metal royalty. Another property with 2 claims is subject to a 2% net smelter royalty.

#### i) Globex Option

On August 8, 2006, the Company entered into an option agreement with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in mineral claims known as the Nordeau East and Nordeau West Property in Vauquelin Township, Quebec, and a 60% interest in certain contiguous mineral claims known as the Bateman Claims in Vauquelin Township, Quebec ("Nordeau Bateman Properties").

As part of the original agreement, in order to acquire the interests in the Nordeau Bateman Properties, the Company agreed to pay Globex cash payments totalling \$500,000 by December 31, 2007, of which \$100,000 was paid on the effective date in 2006, \$100,000 due by December 31, 2006 and \$300,000 due by December 31, 2007. As well, the Company issued 1,000,000 common shares to Globex at a deemed price of \$0.16 per share on the effective date in 2006. Furthermore, the Company must incur exploration expenditures of \$6,000,000 by December 31, 2008, of which \$1,000,000 was due by December 31, 2006, \$2,000,000 due by December 31, 2007 and \$3,000,000 due by December 31, 2008. A bankable feasibility study was to be completed by December 31, 2009.

# Plato Gold Corp.

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## 6. Mineral Properties and Deferred Exploration Costs (continued)

### b) Val d'Or Project (continued)

#### i) Globex Option (continued)

Globex would retain a 2% net metal royalty on all mineral productions as well as a 10% Net Profit Interest after the Company has first recouped out of the Net Profits from operations \$5,000,000 of all monies expended for preproduction costs and/or operating costs.

On December 12, 2006, the Company amended the agreement so that the exploration expenditures of \$1,000,000 due December 31, 2006 were due March 31, 2007.

On November 2, 2007, the Company amended the agreement so that a cash payment of \$300,000 due December 31, 2007 was staged with \$25,000 due December 31, 2007, \$25,000 due March 31, 2008 and \$250,000 due June 30, 2008. As well, exploration expenditures of \$2,000,000 due December 31, 2007 were staged with \$300,000 due March 31, 2008 and \$1,700,000 due December 31, 2008.

On April 22, 2008, the Company amended the agreement so that the cash payment of \$250,000 due June 30, 2008 was staged with \$125,000 due December 31, 2008 and \$125,000 due December 31, 2009. In addition, further cash payments of \$75,000 were due by December 31, 2010 and \$100,000 by December 31, 2011. As well, the remaining exploration expenditures of \$1,700,000 due December 31, 2008, as per the November 2, 2007 amendment, were changed to \$700,000 due by December 31, 2008, \$1,000,000 due by December 31, 2009, \$1,500,000 due by December 31, 2010 and \$1,500,000 due by December 31, 2011. As further compensation, the Company agreed to issue an additional 500,000 shares by December 31, 2008, 500,000 shares by December 31, 2009, 500,000 shares by December 31, 2010 and 500,000 shares by December 31, 2011. The bankable feasibility study was extended to December 31, 2012.

On January 28, 2009, Globex transferred a 2% interest in the 44 claims of the Nordeau Bateman Properties to the Company. On September 27, 2010, the parties agreed to extend the funding of expenditures of \$1,500,000 due by December 31, 2010 to April 30, 2011, representing a cumulative total of \$4,500,000.

On December 31, 2011, the parties agreed to extend all outstanding timelines by six months. Specifically, the exploration expenditures of \$1,500,000, cash payment of \$100,000 and share issuance of 500,000 shares are all extended to June 30, 2012. The bankable feasibility has been extended to June 30, 2013. All other terms of the agreement remain unchanged.

Subsequent to the year ended December 31, 2012, upon mutual agreement, Plato Gold Corp. and Globex Mining Enterprises Inc. agreed to terminate their option agreement of August 8, 2006 on the Nordeau Bateman properties consisting of 44 claims (Note 18). Upon termination of the option agreement, a 100% interest in the properties reverts back to Globex Mining Enterprises Inc.. Plato met the milestone requirements of the agreement and the various amendments, up to the last amendment of December 31, 2011.

# Plato Gold Corp.

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## 6. Mineral Properties and Deferred Exploration Costs (continued)

### b) Val d'Or Project (continued)

#### i) Globex Option (continued)

As of December 31, 2012, the Company has written off the remaining carrying value of the Nordeau Bateman Properties of \$3,447,987.

#### ii) Threegold Option

On November 15, 2010, the Company executed an agreement granting Threegold Resources Inc. the option to earn a 75% interest in Plato's Vauquelin Properties consisting of two properties, known as the Hop O'My Thumb Property with 36 claims and the Vauquelin Property with 17 claims, located in the Townships of Vauquelin in the Province of Quebec. These claims are included in the description of the Company owned claims by acquisition or staking in note 6(b)(iii) below.

The Company received an initial payment of \$50,000 upon the execution of the option agreement.

With respect to the two properties, to earn its 75% interest Threegold will be required to incur exploration expenditures of \$500,000 on or before the second anniversary of the effective date on the two properties. As well, Threegold will be required to make additional payments to the Company of \$50,000 each on or before the first, second, third and fourth anniversary of the effective date of the agreement.

In addition, to earn the 75% interest, Threegold must complete and file within six months after the fourth anniversary of the effective date a National Instrument 43-101 compliant mineral resource reports with measured or indicated resource on each of the Properties. The Company would retain a 2% NSR upon the exercise of the option.

As of December 31, 2012, Threegold has not met the requirements of the second anniversary and as a result the option agreement was terminated.

#### iii) Company owned claims by acquisition or staking

As at December 31, 2012, the Company's acquired or staked claims consist of six properties known as Vauquelin, Vauquelin Pershing, Vauquelin Horseshoe, Pershing Denain (with 38 claims subject to a 2% net metal royalty), Hop O'My Thumb (with 2 claims subject to a 2% net smelter royalty), and Vauquelin II, which are located in Vauquelin Township. Collectively these six properties consist of 230 claims totalling 3,822 hectares. The carrying value of these claims, which includes the claims that Threegold had previously optioned (Note 6(b)(ii)) is \$76,548.

# Plato Gold Corp.

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## 6. Mineral Properties and Deferred Exploration Costs (continued)

### c) Lolita Project

On August 27, 2007, the Company entered into an agreement to acquire a 75% interest in 29,904 hectares known as the Lolita Property in Argentina. The Company is required to incur US\$50,000 in initial expenditures before June 19, 2009. On June 16, 2009 the parties extended this requirement to December 31, 2009. As of December 31, 2009 the initial expenditures of US\$50,000 (CDN\$50,094) had been met in accordance with the agreement.

Upon completion of the initial expenditures, a Joint Work Program for up to US\$500,000 was to be jointly developed and financed 75% by the Company and 25% by the other party ("Lhotka"). The other party is obliged to fund 25% of the Joint Work Program or have its interest diluted on a pro-rata basis to a carried interest of 2%. The other party will retain a 2% net smelter royalty, which can be bought back by the Company for US\$500,000.

Current expenditures are being funded by both parties in accordance with the agreement and the parties are continuing to develop the Joint Work Program. With the completion of the initial expenditures, registration of ownership of the property will proceed in accordance with the Joint Venture Agreement.

In accordance with the agreement, the next stage of exploration will be jointly funded (75/25). The agreement allows that Lhotka shall have its Joint Venture interest in the property diluted by 5% for each US\$100,000 in expenditures spent by Plato Gold, if Lhotka declines its portion of the expenditure. Lhotka's interest in the property shall not be reduced to less than 2%, unless otherwise agreed by the parties, and Lhotka is entitled to receive a 2% Net Smelter Royalty ("NSR"). Plato Gold has available an option to purchase all but not less than all of the NSR for US\$500,000.

With the exception of the amendment on June 16, 2009, there have been no changes to the terms of the option agreement since August 27, 2007. As of August 9, 2011, Winnipeg Minerals S.A. ("WMSA") was incorporated in Argentina with Plato Gold holding 75% and Lhotka holding 25% of the outstanding shares. The mineral claims were subsequently transferred to WMSA as of November 14, 2011.

The option agreement, including the amendment, is in good standing as of December 31, 2012 and there are no breaches of any covenants, terms or conditions in respect thereof.

Expenditures after the initial stage from January 1, 2010 to the incorporation of Winnipeg Minerals S.A. in 2011 incurred by Plato Gold were \$179,829. As of December 31, 2012, the total due from Lhotka amounts to CDN \$47,824 and consists of:

1. 25% of \$179,829 which amounts to \$44,957
2. 25% of the mandatory deposit for shares of \$11,465 which amounts to \$2,866



# Plato Gold Corp.

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## 7. Equipment

	<b>Computer Equipment</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
<b>Cost</b>			
Balance - January 1, 2011, December 31, 2011 and 2012	\$ 2,879	\$ 5,256	8,135
<b>Accumulated Amortization</b>			
Balance - January 1, 2011	\$ 2,544	\$ 4,505	\$ 7,049
Amortization for the year	101	225	326
Balance - December 31, 2011	2,645	4,730	7,375
Amortization for the year	70	158	228
Balance - December 31, 2012	\$ 2,715	\$ 4,888	\$ 7,603
<b>Net Book Value</b>			
As at December 31, 2011	\$ 234	\$ 526	\$ 760
As at December 31, 2012	\$ 164	\$ 368	\$ 532

## 8. Due to a Related Party

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Related Company	\$ 257,500	\$ 100,000

Amounts due to related parties are in the normal course of business, non-interest bearing, unsecured and due on demand. The Company and the related company have a director in common. This director is also a shareholder and officer of both companies.

# Plato Gold Corp.

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## 9. Share Capital

### a) Authorized:

Unlimited common shares  
Unlimited preferred shares

### b) Common Shares Issued and Outstanding

	<u>Number</u>	<u>Amount</u>
Balance - January 1, 2011	118,191,655	5,468,273
Issued for:		
Private placements	25,400,000	800,068
Issuance costs		(88,754)
		<hr/>
Balance - December 31, 2011 and December 31, 2012	<u>143,591,655</u>	<u>\$ 6,179,587</u>

### c) 2011 Shares Issued

During the year ended December 31, 2011, the Company:

- i) Issued 5,000,000 non flow-through units for cash proceeds of \$250,000 pursuant to a private placement. Each non flow-unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until February 14, 2012, at which time the warrants expire.

The relative fair value of the warrants was estimated at \$82,500 and this amount has been allocated to the warrant component of the units. The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	\$0.06
Expected dividend yield	Nil
Risk-free interest rate	1.92%
Expected life	1.0 years
Expected volatility	167%

In conjunction with the financing, share issuance costs of \$28,532 were paid of which, \$9,416 was charged to warrants. Agents' compensation options were issued to acquire a total of 250,000 units exercisable at \$0.10 per unit until February 14, 2012. The fair value of the agents' options was estimated at \$7,400, of which \$2,442 was allocated to warrants and the remainder to contributed surplus.

# Plato Gold Corp.

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## 9. Share Capital (continued)

### c) 2011 Shares Issued (continued)

- ii) Issued 6,900,000 non flow-through units for cash proceeds of \$345,000 pursuant to a private placement. Each non flow-through unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until April 5, 2013, at which time the warrants expire.

The relative fair value of the warrants was estimated at \$145,935 and this amount has been allocated to the warrant component of the units. The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	\$0.05
Expected dividend yield	Nil
Risk-free interest rate	1.86%
Expected life	2.0 years
Expected volatility	183%

In conjunction with the financing, share issuance costs of \$25,844 were paid of which, \$10,932 was charged to warrants. Agents' compensation options were issued to acquire a total of 483,000 units exercisable at \$0.08 per unit until April 5, 2013. The fair value of the agents' options was estimated at \$18,334, of which \$7,755 was allocated to warrants and the remainder to contributed surplus.

- iii) Issued 4,980,000 non flow-through units for cash proceeds of \$249,000 pursuant to a private placement. Each non flow-unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until April 21, 2013, at which time the warrants expire.

The relative fair value of the warrants was estimated at \$105,078 and this amount has been allocated to the warrant component of the units. The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	\$0.05
Expected dividend yield	Nil
Risk-free interest rate	1.86%
Expected life	2.0 years
Expected volatility	182%

In conjunction with the financing, share issuance costs of \$18,910 were paid of which, \$7,980 was charged to warrants. Agents' compensation options were issued to acquire a total of 348,600 units exercisable at \$0.08 per unit until April 21, 2013. The fair value of the agents' options was estimated at \$13,161, of which \$5,554 was allocated to warrants and the remainder to contributed surplus.

# Plato Gold Corp.

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## 9. Share Capital (continued)

### c) 2011 Shares Issued (continued)

- iv) Issued 4,620,000 non flow-through units for cash proceeds of \$231,000 pursuant to a private placement. Each non flow-unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until May 3, 2013, at which time the warrants expire.

The relative fair value of the warrants was estimated at \$93,324 and this amount has been allocated to the warrant component of the units. The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	\$0.04
Expected dividend yield	Nil
Risk-free interest rate	1.86%
Expected life	2.0 years
Expected volatility	175%

In conjunction with the financing, share issuance costs of \$21,900 were paid of which, \$8,848 was charged to warrants. Agents' compensation options were issued to acquire a total of 323,400 units exercisable at \$0.08 per unit until May 3, 2013. The fair value of the agents' options was estimated at \$9,135, of which \$3,690 was charged to warrants and the remainder to contributed surplus. The agents' options were measured at the fair value of the equity instruments granted as the services provided could not be reliably measured.

- v) Issued 3,900,000 flow-through units for cash proceeds of \$195,000 pursuant to a private placement. Each flow-unit consists of one common share and 1/2 common share purchase warrant. Each full warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until March 23, 2013, at which time the warrants expire. The relative fair value of the flow through premium was determined to be nil.

The relative fair value of the warrants was estimated at \$43,095 and this amount has been allocated to the warrant component of the units. The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Share price	\$0.05
Expected dividend yield	Nil
Risk-free interest rate	0.86%
Expected life	1.5 years
Expected volatility	173%

In conjunction with the financing, share issuance costs of \$2,767 were paid of which, \$612 was charged to warrants and the remainder to contributed surplus.

Expected volatility that was used to value the above mentioned agents' options was calculated using historical price data for the Company.

# Plato Gold Corp.

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## 10. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - January 1, 2011	38,691,604	\$ 765,285	\$ 0.10
Issued	24,855,000	517,961	0.10
Expired	(22,953,335)	(411,772)	0.10
Issuance costs	-	(57,229)	-
Balance -December 31, 2011	40,593,269	\$ 814,245	\$ 0.10
Issued	-	-	-
Expired	(20,988,269)	(431,554)	0.10
Issuance costs	-	-	-
Balance - December 31, 2012	19,605,000	\$ 382,691	\$ 0.10

As at December 31, 2012, the following common share purchase warrants (“warrants”) were issued and outstanding:

Number	Exercise Price	Expiry
1,950,000	0.10	March 23, 2013
483,000	0.08	April 5, 2013
6,900,000	0.10	April 5, 2013
348,600	0.08	April 21, 2013
4,980,000	0.10	April 21, 2013
4,620,000	0.10	May 3, 2013
323,400	0.08	May 3, 2013
<u>19,605,000</u>		

## 11. Contributed Surplus

### a) Stock Options Plan

The Board of Directors has adopted a stock option plan for the Company (the “Plan”). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of options granted thereunder may not exceed 10% of the number of issued and outstanding shares at the time of granting the options. Options shall expire no later than ten years after the date of grant.

The exercise price of options granted pursuant to the Plan shall be established based on the average closing price of the shares for the five days prior to the date of grant or such other method of pricing as may be acceptable to the stock exchange on which the shares are listed. The options shall vest and may be exercised as determined by a resolution of the board of directors.

# Plato Gold Corp.

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## 11. Contributed Surplus (continued)

b) A summary of changes to stock options is as follows:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance - January 1, 2011	12,091,666	\$ 0.095
Granted/vested	2,850,000	0.100
Expired	(4,766,666)	(0.116)
Forfeited	(735,000)	(0.100)
Balance - December 31, 2011	9,440,000	\$ 0.105
Granted/vested	-	-
Expired	(1,735,000)	0.100
Forfeited	-	-
Balance - December 31, 2012	<u>7,705,000</u>	<u>\$ 0.100</u>

All outstanding options have fully vested and are exercisable.

c) During the year ended December 31, 2011, the Company:

- i) Granted 2,850,000 stock options to directors, officers, employees and consultants on March 29, 2011. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.10 per share until March 29, 2021. The options vested upon grant. The estimated fair value of \$137,065 has been included in share based compensation. The fair value of stock options granted to the consultants was estimated at the grant date using the Black-Scholes pricing model as the value of the services received could not be reasonably measured.

The fair value of stock options was estimated at the grant date based on the Black-Scholes pricing model using the following weighted average assumptions:

Share price	\$0.05
Expected dividend yield	Nil
Risk-free interest rate	3.30%
Expected life	10.0 years
Expected volatility	136%

# Plato Gold Corp.

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## 11. Contributed Surplus (continued)

- d) During the year ended December 31, 2012, the Company did not issue any options and 1,735,000 options expired.

Stock option pricing models require the input of highly subjective assumptions including the expected price volatility. Volatility is determined based on historical trends. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

- e) As at December 31, 2012 the following options were outstanding:

Exercise Price	Number of Options		Expiry Date
	Unvested	Vested	
\$ 0.100	-	350,000	March 28, 2013
\$ 0.100	-	1,350,000	April 23, 2014
\$ 0.100	-	1,530,000	December 4, 2019
\$ 0.100	-	1,325,000	April 20, 2020
\$ 0.100	-	300,000	November 7, 2020
\$ 0.100	-	2,850,000	March 29, 2021
	-	7,705,000	

## 12. Income Taxes

- a) Income tax recovery attributable to the loss differs from the amounts computed by applying the combined federal and provincial tax rates of 26.50% (2011 - 28.25%) to the pretax loss as a result of the following for the year ended December 31:

	2012	2011
<b>Loss for the year before income taxes</b>	<b>\$ (3,978,857)</b>	<b>\$ (692,294)</b>
Income tax recovery computed as statutory rates	(1,054,397)	(195,573)
Permanent differences		
Share-based compensation	-	39,692
Non-capital losses and other adjustments	(6,701)	-
Differences in tax rates	14,628	(18,902)
Effects of flow through adjustments	(45,448)	42,875
Other	-	(2,109)
Non-deductible expenses	(1,384)	-
Change in deferred taxes not recognized	849,815	-
	<b>\$ (243,487)</b>	<b>\$ (134,017)</b>

# Plato Gold Corp.

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## 12. Income Taxes (continued)

- b) The income tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities as at December 31, 2012 and 2011.

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Deferred income tax assets (liabilities):		
Canadian exploration and development expenses	\$ (244,777)	\$ (1,107,910)
Non-capital loss carryforwards	1,054,878	810,232
Share issuance costs and other	37,770	52,414
Property, plant and equipment	1,944	1,777
	<hr/>	<hr/>
Net deferred income tax asset (liability)	849,815	(243,487)
Deferred taxes not recognized	(849,815)	-
Net deferred income tax asset (liability)	<u>\$ -</u>	<u>\$ (243,487)</u>

As at December 31, 2012, the Company had non-capital loss carryforwards of approximately \$3,980,000 which are available to reduce taxable income of future years. The benefit of these losses has been recognized in these consolidated financial statements to offset the deferred income tax liability arising as a result of renunciation of resource expenditures.

2013	\$ 85,000
2014	68,000
2015	325,000
2026	590,000
2027	700,000
2028	342,000
2029	648,000
2031	685,000
2032	<u>537,000</u>
	<u>\$ 3,980,000</u>



# Plato Gold Corp.

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## 13. Related Party Transactions

During the year ended December 31, 2012, the Company:

- a) incurred rent of \$24,000 (2011 - \$24,000) with a related company. The Company and the related company have an officer in common. This officer is also a director and shareholder of both companies. As at December 31, 2012, accounts payable and accrued liabilities included \$48,000 (2011 - \$24,000) payable.
- b) incurred consulting fees of \$84,096 (2011 - \$84,096) with one of the Company's officers. As at December 31, 2012, accounts payable and accrued liabilities included \$84,096 (2011 - \$7,008) payable to the officer.
- c) incurred consulting fees of \$5,900 (2011 - \$5,900) with one of the Company's directors. As at December 31, 2012, accounts payable and accrued liabilities included \$2,950 (2011 - \$1,475) payable.
- d) incurred accounting fees of \$74,600 (2011 - \$99,463) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2012, accounts payable and accrued liabilities included \$153,679 (2011 - \$85,410) payable to this accounting firm.
- e) incurred directors fees of \$28,000 (2011 - \$25,900). As at December 31, 2012, accounts payable and accrued liabilities included \$113,700 (2011 - \$85,700).
- f) received an advance of \$157,500 (2011 - repaid \$110,000, received \$100,000) from a related corporation. The Company and the related corporation have a director in common. This director is also a shareholder and officer of both corporations. As at December 31, 2012, the amount due to the related party was \$257,500 (2011 - \$100,000).
- g) As at December 31, 2012, accounts payable and accrued liabilities included \$28,334 (2011 - \$20,550) payable to an officer of the Company for reimbursement of business related expenditures.

## 14. Management Compensation

Key management includes all directors (management, non-management and directors) and the Chief Financial Officer. The Chief Executive Officer is a management director. The compensation paid or payable to key management for services is shown below:

	<u>2012</u>	<u>2011</u>
Salaries and consulting fees	\$ 230,099	\$ 235,996
Directors fees	28,000	25,900
Share-based compensation	-	101,379
	<u>\$ 258,099</u>	<u>\$ 363,275</u>

Accounts payable and accrued liabilities as at December 31, 2012 includes \$229,080 payable to these parties.

# Plato Gold Corp.

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## 15. Financial Instruments

### a) Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2012, the Company had current assets of \$739,268 (2011 - \$556,705) to settle current liabilities of \$917,851 (2011 - \$488,891). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company has no income and relies on equity financing to support its exploration program. Additional financing is required to fund the related operating expenses required to manage the Company through fiscal 2013. Management prepares budgets and ensures funds are available prior to commencement of any exploration program.

### b) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk relates to cash and other receivables. Cash is held with a reputable financial institution and is closely monitored by management. Management believes the credit risk with respect to other receivables is not significant.

### c) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates and equity prices.

#### (i) Foreign Exchange Risk

The Company is exposed to financial risk related to foreign exchange rates. The Company operates in Canada and Argentina. A significant change in the currency exchange rates between the Canadian dollar and Argentinean peso could have an effect on the Company's results of operations. At December 31, 2012, the Company is exposed to currency risk through Argentinean cash expressed in Canadian dollars of \$Nil (2011- \$30,064). A 10% depreciation or appreciation of the Canadian dollar against the Argentinean peso would result in an increase/decrease of approximately \$Nil (2011 - \$2,733) in the Company's consolidated statement of comprehensive loss.

# Plato Gold Corp.

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## 15. Financial Instruments (continued)

### c) Market Risk (continued)

#### (ii) Equity Price Risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company's investment in the common shares of Northern Gold Mining Inc. and Victory Gold Mines Inc. are subject to fair value fluctuations arising from changes in the equity market. At December 31, 2012, should the equity prices of the Company's holdings increase or decrease by 5%, the impact on net loss would be approximately \$9,400 (2011 - \$1,750).

## 16. Capital Disclosures

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan. At December 31, 2012, the Company's capital consists of equity in the amount of \$1,597,851 (2011 - \$5,333,221).

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company does not have any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2012 or 2011.

## 17. Contingency

During the year, the Company was subject to an audit by the Canada Revenue Agency on their 2007-2009 expenditures and renunciation under the federal flow through program. Subsequent to year end, the Company received correspondence regarding preliminary findings of this audit. The Company is formally objecting to certain findings. As of December 31, 2012, the potential liability resulting from this audit is not material and consequently has not been recorded in these consolidated financial statements.

# Plato Gold Corp.

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## 18. Subsequent Event

Subsequent to the year ended December 31, 2012, the Company:

- a) Agreed to terminate their option agreement with Globex Mining Enterprises Inc. on the Nordeau Bateman Properties as disclosed in note 6 (b).
- b) Sold 80% of its interest in the Harker Properties to Northern Gold Mining Inc. and entered into a joint venture agreement with Northern Gold in exchange for:
  - CDN\$200,000 payable to Plato; and
  - 250,000 common shares of Northern Gold.

If at any time, either party's interest is reduced to 10% or less, such interest shall be surrendered and the forfeiting party shall be granted a one percent (1%) NSR from production on the Harker Properties. The non-forfeiting party shall have the right and option to purchase the entire 1% NSR for \$1,000,000.

- c) 10,161,600 warrants with exercise prices of \$0.08 - \$0.10 and expiry dates of March 23, 2013 – April 21, 2013 expired unexercised.
- d) Subsequent to year end, Victory Gold amalgamated with Northern Gold Mining Inc., therefore 40% of the Guibord Property is now owned by Northern Gold Mining Inc.. In addition, the 1,000,000 Victory Gold shares acquired in Note 5 were exchanged for 500,000 Northern Gold Mining Inc shares.