
Consolidated Financial Statements

Plato Gold Corp.

For the Years Ended December 31, 2011 and 2010

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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 Canadian generally accepted accounting principles. 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 10, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Plato Gold Corp.

We have audited the accompanying consolidated financial statements of Plato Gold Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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.

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Plato Gold Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
April 10, 2012
Toronto, Ontario

Plato Gold Corp.

Consolidated Statements of Financial Position
Stated in Canadian dollars

	December 31, 2011	December 31, 2010	January 1, 2010
		(note 4)	(note 4)
Assets			
Current Assets			
Cash	\$ 58,337	\$ 680,165	\$ 82,015
Other receivables (note 5)	462,955	100,223	104,263
Deposits and prepaid expenses	413	34,433	10,000
Portfolio investments (note 6)	35,000	-	-
	556,705	814,821	196,278
Mineral Properties and Deferred Exploration Costs (note 7)	5,519,599	4,503,781	4,698,755
Equipment (note 8)	760	1,086	1,552
	<u>\$ 6,077,064</u>	<u>\$ 5,319,688</u>	<u>\$ 4,896,585</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 388,891	\$ 253,159	\$ 529,665
Other liabilities (note 10)	-	226,340	-
Due to related party (note 9)	100,000	110,000	85,000
	488,891	589,499	614,665
Deferred Tax Liability (note 14)	243,487	151,240	357,595
	<u>732,378</u>	<u>740,739</u>	<u>972,260</u>
Shareholders' Equity			
Share Capital (note 11)	6,179,587	5,468,273	4,787,620
Warrants (note 12)	814,245	765,285	518,080
Contributed Surplus (note 13)	2,373,030	1,820,755	1,593,361
Deficit	(4,033,641)	(3,475,364)	(2,974,736)
	<u>5,333,221</u>	<u>4,578,949</u>	<u>3,924,325</u>
Non-Controlling Interest	11,465	-	-
	<u>\$ 6,077,064</u>	<u>\$ 5,319,688</u>	<u>\$ 4,896,585</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

	2011	2010 (note 4)
Income		
Gain on sale of property	\$ 104,047	\$ -
Interest income	2,732	811
	<u>106,779</u>	<u>811</u>
Expenses		
Acquisition costs	5,162	-
Amortization	326	466
Consulting fees	115,896	130,220
Insurance	10,594	10,427
Interest	7,173	6,938
Investor relations	43,120	28,514
Office and general	20,072	18,332
Professional fees	143,340	159,702
Publicity and advertising	44,384	13,653
Rent	24,000	24,000
Salaries and benefits	160,961	156,025
Share-based compensation (note 13(b))	140,502	99,770
Transfer and filing fees	29,293	28,594
Unrealized loss on portfolio investment	54,250	-
Write-down of mineral properties (note 7)	-	55,925
	<u>799,073</u>	<u>732,566</u>
Loss Before Income Taxes	(692,294)	(731,755)
Deferred Income Tax Recovery (note 14)	<u>134,017</u>	<u>231,127</u>
Net Loss and Comprehensive Loss for the Year	<u>(558,277)</u>	<u>(500,628)</u>
Loss per Share - basic and diluted	<u>\$ -</u>	<u>\$ -</u>
Weighted Average Number of Common Shares Outstanding - basic and diluted (note 18)	<u>135,524,422</u>	<u>102,092,428</u>

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

Plato Gold Corp.

Consolidated Statements of Changes in Shareholders' Equity
Stated in Canadian dollars

	<u>Share Capital</u>		Warrants	Contributed Surplus	Accumulated Deficit	Non-Controlling Interest	Total
	Shares	Amount					
Balance - January 1, 2010	95,175,117	\$ 4,787,620	\$ 518,080	\$ 1,593,361	\$ (2,974,736)	\$ -	\$ 3,924,325
Share based compensation	-	-	-	99,770	-	-	99,770
Agent's options granted	-	(21,320)	-	21,320	-	-	-
Proceeds from private placement	22,516,538	714,277	387,177	-	-	-	1,101,454
Issuance costs (net of tax)	-	(16,413)	(33,668)	-	-	-	(50,081)
Recovery of tax portion of share issue costs	-	(23,391)	-	-	-	-	(23,391)
Mineral property acquisition	500,000	27,500	-	-	-	-	27,500
Warrants expired	-	-	(106,304)	106,304	-	-	-
Total comprehensive loss	-	-	-	-	(500,628)	-	(500,628)
Balance - December 31, 2010	118,191,655	\$ 5,468,273	\$ 765,285	\$ 1,820,755	\$ (3,475,364)	\$ -	\$ 4,578,949

	<u>Common Stock</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

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

	2011	2010 (note 4)
Cash Flows from Operating Activities		
Net loss	\$ (558,277)	\$ (500,628)
Items not involving cash		
Gain on sale of property	(104,047)	-
Amortization	326	466
Share-based compensation	140,502	99,770
Write-down of mineral properties	-	55,925
Deferred future income tax recovery	(134,017)	(231,127)
Unrealized loss from portfolio investment	54,250	-
	<u>(601,263)</u>	<u>(575,594)</u>
Changes in non-cash working capital		
Other receivables	(16,952)	18,503
Deposits and prepaid expenses	34,020	(23,500)
Accounts payable and accrued liabilities	17,152	100,204
	<u>(567,043)</u>	<u>(480,387)</u>
Cash Flows from Financing Activities		
Proceeds from private placements	1,270,000	1,329,175
Share issuance costs (net of tax)	(97,953)	(50,080)
Advances from related party	100,000	25,000
Repayments of advances from related party	(110,000)	-
	<u>1,162,047</u>	<u>1,304,095</u>
Cash Flows from Investing Activities		
Mineral properties and deferred explorations costs	(1,445,979)	(630,677)
Proceeds on sale of property	72,000	-
Option payments received	70,000	150,000
Government rebates	87,147	255,119
	<u>(1,216,832)</u>	<u>(225,558)</u>
Change in cash	(621,828)	598,150
Cash - beginning of year	680,165	82,015
Cash - end of year	\$ 58,337	\$ 680,165
Non-cash financing and investing activities		
Warrants granted to agent	\$ 48,029	\$ 21,321
Stock options granted to directors, officers and employees	\$ 140,502	\$ 99,770
Shares issued for acquisition of mineral properties	\$ -	\$ 27,500
Consideration received on disposition of property (note 6)	\$ 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, 2011 and 2010
Stated in Canadian dollars

1. Nature of Operations

Plato Gold Corp. (the "Company") is an Ontario corporation formed by amalgamation on May 30, 2005. The primary officers 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 seven properties (Nordeau Bateman, 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.

The Company is in the process of exploring its mineral properties and has not yet determined whether its properties in Ontario and Argentina contain economic mineral reserves. Consequently, at December 31, 2011 the Company considers itself to be an exploration stage company with respect to these properties. The Company considers the Val d'Or Project to be in the advanced exploration stage with a National Instrument 43-101 compliant resource.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$4,033,641 as at December 31, 2011. 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, 2011, the Company had current assets of \$556,705 to cover current liabilities of \$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

In 2010 the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effectively for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis. In these consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements represent the first annual consolidated financial statements of the Company prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as discussed in note 4.

The Company's consolidated financial statements reflect the results of operations for the year ended December 31, 2011 and 2010, and the assets, liabilities and shareholders' equity as at December 31, 2011, December 31, 2010 and January 1, 2010.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010
Stated in Canadian dollars

2. Basis of Presentation (continued)

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.

a) Statement of Compliance

The significant accounting policies (note 3) have been applied consistently to all periods presented in these consolidated financial statements including the preparation of the opening statement of financial position at January 1, 2010, with the exception of exemptions taken under IFRS (note 4) for the purposes of transitioning to IFRS.

The policies applied in the Company's consolidated financial statements are based on IFRS effective as of December 31, 2011. The date that the Board of Directors approved the statements is April 10, 2012.

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 recoverability of resource properties, flow through share premiums, share based payments and the ability to continue as a going concern. Further information regarding these estimates is detailed in note 3 below. 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 the Company's functional currency and the state of development of the mineral properties.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010
Stated in Canadian dollars

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 is the Canadian Dollar, and as such, it is also the Company's functional currency.

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. 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.

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 in property, plant and equipment. 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.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010
Stated in Canadian dollars

3. Significant Accounting Policies (continued)

b) Mineral Properties and Deferred Exploration Costs (continued)

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 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) 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, 2011 and 2010
Stated in Canadian dollars

3. Significant Accounting Policies (continued)

e) 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.

f) 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 TSX-V on the date that the consideration is transferred.

g) Warrants

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

h) 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, 2011 the Company has not incurred and is not committed to any decommissioning obligations in respect of its mineral exploration properties.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010
Stated in Canadian dollars

3. Significant Accounting Policies (continued)

i) 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.

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.

j) 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.

k) Cash

Cash include bank deposits. As at December 31, 2011, December 31, 2010 and January 1, 2010, the Company did not have any cash equivalents.

l) 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.

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 cash equivalents, 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 related party.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010
Stated in Canadian dollars

3. Significant Accounting Policies (continued)

l) Financial Instruments (continued)

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.

m) 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, with earlier adoption permitted. IFRS 10, IFRS 11 and IFRS 12 permit early adoption if all of the standards are collectively adopted.

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.

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.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010
Stated in Canadian dollars

3. Significant Accounting Policies (continued)

m) Future Accounting Changes (continued)

IAS 19 - Employee Benefits amends the existing standard to eliminate options to defer the recognition of gains and losses in defined benefit plans, requires remeasurement of a defined benefit plans assets and liabilities to be presented in other comprehensive income and increases the disclosure.

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 standards which are effective as per the date identified.

IAS 1 - Presentation of Financial Statements was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment is effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted.

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.

Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2011 and 2010
Stated in Canadian dollars

4. Transition to IFRS

The January 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
ASSETS				
Current				
Cash	\$ 82,015			\$ 82,015
Other receivables	104,263			104,263
Deposits and prepaid expenses	10,000			10,000
	196,278	-		196,278
Minerals Properties and Deferred Exploration Costs	4,698,755			4,698,755
Property, Plant and Equipment	1,552			1,552
	\$ 4,896,585	-		\$ 4,896,585
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 529,665			\$ 529,665
Due to related parties	85,000			85,000
	614,665	-		614,665
Future Tax Liability	157,440	200,155	(d)	357,595
	772,105	200,155		972,260
SHAREHOLDERS' EQUITY				
Share Capital	4,731,411	56,209	(c)	4,787,620
Warrants	518,080			518,080
Stock Options	712,094	(712,094)	(e)	-
Contributed Surplus	881,267	712,094	(e)	1,593,361
Deficit	(2,718,372)	(256,364)	(c)(d)	(2,974,736)
	4,124,480	(200,155)		3,924,325
	\$ 4,896,585	-		\$ 4,896,585

Plato Gold Corp.

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4. Transition to IFRS (continued)

The December 31, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
ASSETS				
Current				
Cash	\$ 680,165			\$ 680,165
Other receivables	100,223			100,223
Deposits and prepaid expenses	34,433			34,433
	814,821	-		814,821
Minerals Properties and Deferred Exploration Costs	4,503,781			4,503,781
Property, Plant and Equipment	1,086			1,086
	\$ 5,319,688	-		\$ 5,319,688
LIABILITIES				
Current				
Accounts payable and accrued liabilities	\$ 253,159	-		\$ 253,159
Other liabilities	-	226,340	(d)	226,340
Due to related parties	110,000	-		110,000
	363,159	226,340		589,499
Future Tax Liability	81,040	70,200	(d)	151,240
	444,199	296,540		740,739
SHAREHOLDERS' EQUITY				
Share Capital	5,398,990	69,283	(c)	5,468,273
Warrants	823,017	(57,732)	(c)	765,285
Stock Options	723,629	(723,629)	(e)	-
Contributed Surplus	1,097,126	723,629	(e)	1,820,755
Deficit	(3,167,273)	(308,091)	(c)(d)	(3,475,364)
	4,875,489	(296,540)		4,578,949
	\$ 5,319,688	-		\$ 5,319,688

Plato Gold Corp.

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4. Transition to IFRS (continued)

The December 31, 2010 Canadian GAAP statement of comprehensive loss for the year has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
Revenue	\$ 811			\$ 811
Expenses				
Amortization	466			466
Consulting fees	130,220			130,220
Insurance	10,427			10,427
Interest and financing costs	6,938			6,938
Investor relations	28,514			28,514
Office and general	18,332			18,332
Professional fees	159,702			159,702
Publicity and advertising	13,653			13,653
Rent	24,000			24,000
Salaries and benefits	156,025			156,025
Share-based compensation	99,770			99,770
Transfer and filing fees	28,594			28,594
Write-down of mineral properties	55,925			55,925
	<u>732,566</u>	-		<u>732,566</u>
Loss Before Income Taxes				
Income Taxes	(731,755)	-		(731,755)
Deferred Income Tax Recovery	282,854	(51,727)	(c)(d)	231,127
Net Loss and Comprehensive Loss	<u>(448,901)</u>	<u>(51,727)</u>		<u>(500,628)</u>
Income per share - basic and diluted	<u>\$ -</u>			<u>\$ -</u>
Weighted Average Number of Common Shares Outstanding - basic and diluted	<u>102,092,428</u>			<u>102,092,428</u>

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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4. Transition to IFRS (continued)

The December 31, 2010 Canadian GAAP statement of cash flow for the year has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	Ref.	IFRS
Cash Flow from Operating Activities				
Net Loss	\$ (448,901)	\$ (51,727)	(d)	\$ (500,628)
Items not involving cash				
Amortization	466	-		466
Share-based compensation	99,770	-		99,770
Write-down of mineral properties	55,925	-		55,925
Future income tax recoveries	(282,854)	51,727	(d)	(231,127)
	(575,594)			(575,594)
Changes in non-cash working capital				
Other receivables	18,503	-		18,503
Deposits and prepaid expenses	(23,500)	-		(23,500)
Accounts payable and accrued liabilities	100,204	-		100,204
	(480,387)	-		(480,387)
Cash Flows from Financing Activities				
Proceeds from private placements	1,329,175	-		1,329,175
Share issuance costs	(50,080)	-		(50,080)
Due to related party	25,000	-		25,000
	1,304,095			1,304,095
Cash Flows from Investing Activities				
Mineral properties and deferred explorations costs - net	(630,677)	-		(630,677)
Proceeds from option property payments received	150,000	-		150,000
Government rebates	255,119	-		255,119
	(225,558)			(225,558)
Change in Cash	598,150	-		598,150
Cash - Beginning of Year	82,015	-		82,015
Cash - End of Year	\$ 680,165	\$ -		\$ 680,165

Plato Gold Corp.

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4. Transition to IFRS (continued)

The following summarizes the significant changes to the Company's accounting policies upon adoption of IFRS:

a) Impairment of (non-financial) assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP requires a write-down to estimated value only if the undiscounted future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on these consolidated financial statements or the opening statement of financial position at January 1, 2010.

b) Decommissioning liabilities

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on these consolidated financial statements or the opening statement of financial position at January 1, 2010.

c) Income taxes

A deferred tax liability is recognized in accordance with IAS 12, Income Taxes, for the taxable temporary differences that arise from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

IAS 12 does not recognize a deferred tax liability or asset if it arises from initial recognition of an asset or liability outside a business combination and there is no impact in profit or loss or taxable income at the time of the transaction. Under Canadian GAAP, the impact of deferred income taxes related to share issue costs was recognized directly in equity. Any subsequent changes affecting the deferred taxes in respect of the share issue costs were recognized in earnings. Under IFRS, deferred taxes recognized in respect of share issue costs are also recognized in equity. However IAS 12 requires subsequent changes in the deferred tax expense recognized in respect of share issue costs to be recognized in equity. As a result, the tax effect of share issue costs which remain taxable temporary differences after January 1, 2010, have been recognized in equity rather than earnings.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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4. Transition to IFRS (continued)

d) Flow-through shares

According to Canadian GAAP, the resource expenditure deduction for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The deferred income taxes relating to the temporary difference that arise when the qualifying expenditures are incurred were recorded at the time of filing the renunciation with the tax authorities. The recognition of the deferred income tax liability results in a corresponding reduction to the carrying value of the shares issued.

Under IFRS, the obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, measured using the relative fair value method. This obligation is released into the Statement of Operations as income when the Company incurs the qualifying expenditures.

A deferred tax liability is recognized in accordance with IAS 12, Income Taxes, in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized and the tax basis.

e) Stock options

As separate disclosure of stock options on the balance sheet is not required under IFRS, stock options are reflected as part of contributed surplus.

f) First-time Adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS on the first date at which IFRS was applied, which was January 1, 2010 ("Transition Date"). IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company has chosen to take advantage of the following optional exemptions under IFRS 1:

On the Transition Date, the Company has elected not to retrospectively apply IFRS 2, Share-based Payments ("IFRS 2") to all share-based transactions at the date of transition. IFRS 2 will only be applied to equity instruments issued on or after, and that have not vested by, the Transition Date.

The Company has elected not to retrospectively apply IFRS 3, Business Combinations. ("IFRS 3"). IFRS 3 will only be applied to business combinations occurring on or after the Transition Date.

Plato Gold Corp.

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5. Other Receivables

Other receivables include Government mining rebates receivable on expenditures of \$387,970 (December 31, 2010 \$87,147 and January 1, 2010 \$72,684) and receivables from related party of \$74,985 (December 31, 2010 \$nil and January 1, 2010 \$nil). The receivables from related party have no fixed terms of payment and do not bear interest. Due to the short term nature, the carrying amount of the receivables approximates fair value. The related party is the non-controlling interest shareholder.

6. Portfolio Investments

During the year, the Company acquired 175,000 common shares of the publicly traded company Northern Gold Mining Inc. as a result of a property sale agreement, and classifies this investment at fair value through profit and loss. The Company's cost of this investment is \$89,250 and the estimated fair value at December 31, 2011 is \$35,000.

7. Mineral Properties and Deferred Exploration Costs

	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 ⁽²⁾	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) ⁽¹⁾	-	(387,970)
Less disposition of property	(57,203)	-	-	(57,203)
Less optioned property	(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

⁽¹⁾ Rebate includes an amount receivable of \$387,970.

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

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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7. Mineral Properties and Deferred Exploration Costs (continued)

	December 31, 2010			Total
	Timmins Gold Project	Val d'Or Project	Lolita Project	
Acquisition costs	\$ -	\$ 115,400	\$ -	\$ 115,400
Diamond drilling	6,300	53,086	-	59,386
Geochemical	-	9,313	-	9,313
Geology	875	65,174	16,797	82,846
Other	4,025	9,563	-	13,588
Current expenditures	11,200	252,536	16,797	280,533
Less government rebates	-	(269,582) ⁽¹⁾	-	(269,582)
Less optioned property	(100,000)	(50,000)	-	(150,000)
Net current expenditures	(88,800)	(67,046)	16,797	(139,049)
Balance - beginning of year	1,791,201	2,831,454	76,100	4,698,755
Write-down of mineral property	-	(55,925)	-	(55,925)
Balance - end of year	\$ 1,702,401	\$ 2,708,483	\$ 92,897	\$ 4,503,781

⁽¹⁾ Rebate includes an amount receivable of \$87,147.

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.

Notes to the Consolidated Financial Statements
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7. 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, 2011, St Andrew has met the requirements of the first 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.

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, 2011, St Andrew has met the requirement of the first anniversary.

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 four 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 for a potential of up to \$4 million in milestone payments. 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.

Plato Gold Corp.

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7. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project

The Val d'Or Project is comprised of seven properties located south east of Val d'Or, Quebec. The properties consist of 287 claims for a total of 5,002 hectares. Two properties with 82 claims are subject to a 2% net metal royalty. Another two properties with 21 claims are subject to a 2% net smelter royalty.

i) Globex Option

As of December 31, 2011, the Company has made cash payments totalling \$575,000, with the remaining \$100,000 due by June 30, 2012, for a total cash payment of \$675,000.

As of December 31, 2011, the Company has incurred exploration expenditures, in accordance with the terms of the agreement, of \$4,507,491 by April 30, 2011 and with \$1,500,000 due June 30, 2012, for total exploration expenditures of \$6,000,000.

As of December 31, 2011, the Company has issued 2,500,000 shares to Globex, with 500,000 shares due by June 30, 2012, for a total of 3,000,000 common shares. The bankable feasibility study is due by June 30, 2013.

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 is 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 is to be completed by December 31, 2009. 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 is due March 31, 2007.

Plato Gold Corp.

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7. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project (continued)

i) Globex Option (continued)

On November 2, 2007, the Company amended the agreement so that a cash payment of \$300,000 due December 31, 2007 is 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 is 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 is staged with \$125,000 due December 31, 2008 and \$125,000 due December 31, 2009. In addition, further cash payments of \$75,000 will be 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, has now been 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 has been 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. The Company has fulfilled its obligations up to December 31, 2011.

Plato Gold Corp.

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7. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project (continued)

ii) Manseau Option

On May 31, 2010 The Company allowed the Manseau options to expire. The Company has satisfied all obligations relating to the agreement.

iii) 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.

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. As of December 31, 2011, Threegold has met the requirements of the first anniversary.

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 will retain a 2% NSR upon the exercise of the option.

iv) Company owned claims by acquisition or staking

As at December 31, 2011, 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 243 claims totalling 4,341 hectares.

Plato Gold Corp.

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7. 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.

As of December 31, 2011 total expenditures, post the initial stage from January 1, 2010 forward, incurred by Plato Gold was \$179,829. The amount due from Lhotka consists of three factors:

1. 25% of CDN\$179,829 which amounts to CDN\$44,957,
2. 25% of the loan to WMSA of CDN\$25,000 which amounts to CDN\$6,250 and
3. 25% of the mandatory deposit for shares of CDN\$11,465 which amounts to CDN\$2,866.

The total amount of CDN\$54,073 is recorded as accounts receivable from Lhotka.

The option agreement, including the amendment, is in good standing as of December 31, 2011 and there are no breaches of any covenants, terms or conditions in respect thereof.

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. As of December 31, 2011, there were no changes to the share structure.

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8. Equipment

	Computer Equipment	Furniture & Fixtures	Total
Cost			
Balance - January 1, 2010	\$ 2,879	\$ 5,256	\$ 8,135
Additions	-	-	-
Disposals	-	-	-
Balance - December 31, 2010	2,879	5,256	8,135
Additions	-	-	-
Disposals	-	-	-
Balance - December 31, 2011	<u>\$ 2,879</u>	<u>\$ 5,256</u>	<u>8,135</u>
Accumulated Amortization			
Balance - January 1, 2010	\$ 2,400	\$ 4,183	\$ 6,583
Depreciation for the period	144	322	466
Balance - December 31, 2010	2,544	4,505	7,049
Depreciation for the period	101	225	326
Balance - December 31, 2011	<u>\$ 2,645</u>	<u>\$ 4,730</u>	<u>\$ 7,375</u>
Net Book Value			
As at January 1, 2010	\$ 479	\$ 1,073	\$ 1,552
As at December 31, 2010	\$ 335	\$ 751	\$ 1,086
As at December 31, 2011	\$ 234	\$ 526	\$ 760

9. Due to a Related Party

	December 31, 2011	December 31, 2010	January 1, 2010
Related Company	<u>\$ 100,000</u>	<u>\$ 110,000</u>	<u>\$ 85,000</u>

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.

10. Other Liabilities

Other liabilities consists of the obligation to spend and renounce proceeds raised at the time of issuance of flow through shares (note 4(d)).

Plato Gold Corp.

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11. Share Capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

b) Common Shares Issued and Outstanding

	Number	Amount
Balance - January 1, 2010	95,175,117	\$ 4,787,620
Issued for:		
Private placements	22,516,538	714,277
Issuance costs		(37,733)
Recovery of tax portion of share issue costs		(23,391)
Mineral property acquisition	500,000	27,500
Balance - December 31, 2010	118,191,655	5,468,273
Issued for:		
Private placements	25,400,000	800,068
Issuance costs		(88,754)
Balance - December 31, 2011	143,591,655	\$ 6,179,587

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 were 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 were estimated at \$7,400, of which \$2,442 was charged to warrants.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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11. 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 were 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 were estimated at \$18,334, of which \$7,755 was charged to warrants.

- 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 were 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 were estimated at \$13,161, of which \$5,554 was allocated to warrants.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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11. 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 were 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 were estimated at \$9,135, of which \$3,690 was charged to warrants.

- 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 were 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.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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11. Share Capital (continued)

d) 2010 Shares Issued

During the year ended December 31, 2010, the Company:

- i) Issued 3,400,000 flow-through units and 1,000,000 non flow-through units for cash proceeds of \$220,000 pursuant to a private placement. Each flow-through unit consists of one flow-through share and one common share purchase warrant. 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 March 19, 2012, at which time the warrants expire. The relative fair value of the flow through premium on the units was determined to be nil.

The relative fair value of the warrants were estimated at \$109,120 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	1.64%
Expected life	2.0 years
Expected volatility	287%

In conjunction with the financing, share issuance costs of \$31,924 were paid of which, \$23,912 was charged to warrants. Compensation options were issued to acquire a total of 340,000 units exercisable at \$0.05 per unit until March 19, 2012. The fair value of the of the options were estimated at \$16,286.

- ii) Issued 3,400,000 flow-through units and 200,000 non flow-through units for cash proceeds of \$180,000 pursuant to a private placement. Each flow-through unit consists of one flow-through share and one common share purchase warrant. 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 6, 2012, at which time the warrants expire. The relative fair value of the flow through premium on the units was determined to be nil.

The relative fair value of the warrants were estimated at \$87,300 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	1.85%
Expected life	2.0 years
Expected volatility	288%

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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11. Share Capital (continued)

d) 2010 Shares Issued (continued)

In conjunction with the financing, share issuance costs of \$11,705 were paid of which, \$8,119 was charged to warrants. Compensation options were issued to acquire a total of 105,000 units exercisable at \$0.05 per unit until April 6, 2012. The fair value of the options were estimated at \$5,035.

- iii) Issued 5,000,000 flow-through units for cash proceeds of \$325,000 pursuant to a private placement. Each flow-through unit consists of one flow-through share and 1/2 common share purchase warrant. Each full common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until May 26 2012, at which time the warrants expire. The relative fair value of the flow through premium on the units was determined to be \$84,117 and was recorded as a flow through share liability on the statement of financial position as at December 31, 2010.

The relative fair value of the warrants were estimated at \$59,298 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	1.67%
Expected life	1.5 years
Expected volatility	186%

In conjunction with the financing, share issuance costs of \$1,779 were paid of which, \$324 was charged to warrants and \$460 allocated against the flow through premium.

- iv) Issued 3,158,846 flow-through units for cash proceeds of \$205,325 pursuant to a private placement. Each flow-through unit consists of one flow-through share and 1/2 common share purchase warrant. Each full common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until June 15, 2012, at which time the warrants expire. The relative fair value of the flow through premium on the units was determined to be \$59,121 and was recorded as a flow through share liability on the statement of financial position as at December 31, 2010.

The relative fair value of the warrants were estimated at \$34,358 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	1.72%
Expected life	1.5 years
Expected volatility	175%

In conjunction with the financing, share issuance costs of \$2,336 were paid of which, \$391 was charged to warrants and \$673 allocated against the flow through premium.

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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11. Share Capital (continued)

d) 2010 Shares Issued (continued)

- v) Issued 5,397,692 flow-through units for cash proceeds of \$350,850 pursuant to a private placement. Each flow-through unit consists of one flow-through share and 1/2 common share purchase warrant. Each full common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until June 21, 2012, at which time the warrants expire.

The relative fair value of the flow through premium on the units was determined to be \$84,954 and was recorded as a flow through share liability on the statement of financial position as at December 31, 2010.

The relative fair value of the warrants were estimated at \$73,919 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	1.62%
Expected life	1.5 years
Expected volatility	175%

In conjunction with the financing, share issuance costs of \$2,966 were paid of which, \$625 was charged to warrants and \$718 was allocated against the flow through premium.

- vi) Issued 960,000 non flow-through units for cash proceeds of \$48,000 pursuant to a private placement. Each non flow-through unit consists of one flow-through share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.10 per common share until December 21, 2012, at which time the warrants expire.

The relative fair value of the warrants were estimated at \$22,752 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	1.62%
Expected life	2.0 years
Expected volatility	250%

- vii) Issued 500,000 common shares with a fair value of \$27,500 pursuant to a mineral property option agreement, which were valued at the fair market value on the date of the grant.

Plato Gold Corp.

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12. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - January 1, 2010	33,589,891	\$ 518,080	\$ 0.11
Issued	15,738,269	387,177	0.10
Expired	(10,636,556)	(106,304)	(0.12)
Issuance costs	-	(33,668)	-
Balance - December 31, 2010	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

As at December 31, 2011, the following common share purchase warrants (“warrants”) were issued and outstanding:

Number	Exercise Price	Expiry
250,000	0.10	February 14, 2012
4,400,000	0.10	March 19, 2012
3,600,000	0.10	April 6, 2012
2,500,000	0.10	May 26, 2012
1,579,423	0.10	June 15, 2012
2,698,846	0.10	June 21, 2012
960,000	0.10	December 21, 2012
5,000,000	0.10	February 14, 2012
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>40,593,269</u>		

Plato Gold Corp.

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13. 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.

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

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance - January 1, 2010	10,484,266	\$ 0.102
Granted/vested	2,175,000	0.100
Agents' compensation options granted	445,000	0.050
Expired	(1,012,600)	(0.159)
Forfeited	-	-
	<hr/>	
Balance - December 31, 2010	12,091,666	0.095
Granted/vested	2,850,000	0.100
Expired	(4,766,666)	(0.116)
Forfeited	(735,000)	(0.100)
	<hr/>	
Balance - December 31, 2011	<u>9,440,000</u>	<u>\$ 0.105</u>

Plato Gold Corp.

Notes to the Consolidated Financial Statements
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13. Contributed Surplus (continued)

- 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	\$0.050
Expected dividend yield	Nil
Risk-free interest rate	3.30%
Expected life	10.0 years
Expected volatility	136%

- d) During the year ended December 31, 2010, the Company:
- i) Granted 1,575,000 stock options to directors, officers, and employees on April 20, 2010. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.10 per share until April 20, 2020. The options vested upon grant. The estimated fair value of \$77,884 has been included in share based compensation.

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	\$0.045
Expected dividend yield	Nil
Risk-free interest rate	3.70%
Expected life	10.0 years
Expected volatility	136%

- ii) Granted 300,000 stock options to a consultant on April 20, 2010. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.10 per share until April 20, 2012. 75,000 options vested upon grant, and 75,000 vested on October 20, 2010, 75,000 options vest on April 20, 2011 and the remaining 75,000 vest on October 20, 2011. The fair value of the stock options granted to the consultant was estimated at the grant date using the Black-Scholes pricing model as the value of the services received could be reasonably measured. The estimated fair value of the options is \$14,835. As at December 31, 2010, the fair value of the vested options of \$7,418 has been included in share based compensation.

Plato Gold Corp.

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13. Contributed Surplus (continued)

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

Share price	\$0.045
Expected dividend yield	Nil
Risk-free interest rate	1.67%
Expected life	2.0 years
Expected volatility	113%

- iii) Granted 300,000 stock options to a director on November 7, 2010. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.10 per share until November 7, 2020. The options vested upon grant. The estimated fair value of the options of \$14,468 has been included in share based compensation.

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

Share Price	\$0.050
Expected dividend yield	Nil
Risk-free interest rate	3.22%
Expected life	10.0 years
Expected volatility	138%

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, 2011 the following options were outstanding:

Exercise Price	Number of Options		Expiry Date
	Unvested	Vested	
\$ 0.100	-	300,000	April 20, 2012
\$ 0.100	-	990,000	December 18, 2012
\$ 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
	-	8,995,000	

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13. Contributed Surplus (continued)

- f) As at December 31, 2011, the following Agents' Options to acquire units were outstanding. Each unit entitles the holder to purchase one common share and one warrant.

Exercise Price	Number of Options		Expiry Date
	Unvested	Vested	
\$ 0.050	-	340,000	March 19, 2012
\$ 0.050	-	105,000	April 6, 2012
	-	445,000	

14. 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 28.25% (2010 - 31%) to the pretax loss as a result of the following:

	2011	2010
Loss for the year before income taxes	\$ (687,354)	\$ (731,755)
Income tax recovery computed as statutory rates	(195,594)	(226,844)
Permanent differences		
Share-based compensation	39,692	30,929
Differences in tax rates	(18,902)	(12,387)
Flow through feature	42,875	51,727
Other	(2,088)	(74,552)
	\$ (134,017)	\$ (231,127)

- 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, 2011 and 2010, and January 1, 2010 are presented below:

	December 31, 2011	December 31, 2010	January 1, 2010
Deferred income tax assets (liabilities):			
Canadian exploration and development expenses	\$ (1,107,910)	\$ (900,230)	\$ (1,042,828)
Non-capital loss carryforwards	810,232	689,690	603,619
Share issuance costs	52,414	57,600	80,688
Property, plant and equipment	1,777	1,700	926
Net deferred income tax liability	\$ (243,487)	\$ (151,240)	\$ (357,595)

Plato Gold Corp.

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14. Income Taxes (continued)

- c) As at December 31, 2011, the Company had non-capital loss carryforwards of approximately \$3,440,000 which are available to reduce taxable income of future years and expire as follows:

2014	\$ 85,000
2015	393,000
2026	590,000
2027	700,000
2028	342,000
2029	648,000
2031	<u>482,000</u>
	<u>\$ 3,240,000</u>

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.

15. Related Party Transactions

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

- incurred rent of \$24,000 (2010 - \$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, 2011, accounts payable and accrued liabilities included \$24,000 (2010 - \$24,000) payable.
- incurred consulting fees of \$84,096 (2010 - \$81,648) with one of the Company's officers. As at December 31, 2011, accounts payable and accrued liabilities included \$7,008 (2010 - \$5,302) payable to the officer.
- incurred consulting fees of \$5,900 (2010 - \$5,670) with one of the Company's directors. As at December 31, 2011, accounts payable and accrued liabilities included \$1,475 (2010 - \$nil) payable.
- incurred accounting fees of \$99,463 (2010 - \$92,063) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2011, accounts payable and accrued liabilities included \$85,410 (2010 - \$91,621) payable to this accounting firm.
- incurred directors fees of \$25,900 (2010 - \$21,600). As at December 31, 2011, accounts payable and accrued liabilities included \$85,700 (2010 - \$59,800).
- repaid a \$110,000 (2010 - \$Nil) advance from a related corporation. The Company was also advanced \$100,000 by the same related corporation. The Company and the related corporation have a director in common. This director is also a shareholder and officer of both corporations.

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16. 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>2011</u>	<u>2010</u>
Salaries	\$ 235,996	\$ 229,068
Directors fees	25,900	21,600
Share-based compensation	101,379	61,815
	<u>\$ 363,275</u>	<u>\$ 312,483</u>

17. 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, 2011, the Company had a cash balance of \$556,705 to settle current liabilities of \$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 2012. 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.

Plato Gold Corp.

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17. Financial Instruments (continued)

c) 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, 2011, the Company is exposed to currency risk through Argentinean cash expressed in Canadian dollars of \$30,064. A 10% depreciation or appreciation of the Canadian dollar against the Argentinean peso would result in an increase/decrease of approximately \$2,733 (2010 - nil) in the Company's consolidated statement of comprehensive loss.

18. Capital Disclosures

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan. At December 31, 2011, the Company's capital consists of equity in the amount of \$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 period ended December 31, 2011.