
Financial Statements

Plato Gold Corp.

For the Years Ended December 31, 2006 and 2005

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The 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 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 financial statements based on estimates, judgements, 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 24, 2007



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AUDITORS' REPORT

TO THE SHAREHOLDERS OF PLATO GOLD CORP.

We have audited the balance sheets of Plato Gold Corp. as at December 31, 2006 and 2005, and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
February 14, 2007
(except for note 14, which
is as of March 6, 2007)

Plato Gold Corp.

Balance Sheets
As at December 31

	2006	2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 418,877	\$ 126,911
Other receivables	43,261	82,824
Deposits and prepaid expenses	34,976	37,478
	<u>497,114</u>	<u>247,213</u>
Mineral Properties and Deferred Exploration		
Costs (note 4)	2,411,420	1,354,732
Property, Plant and Equipment (note 5)		
	<u>4,523</u>	<u>6,461</u>
	<u>\$ 2,913,057</u>	<u>\$ 1,608,406</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 336,195	\$ 316,386
Due to related parties (note 6)	102,537	102,537
	<u>438,732</u>	<u>418,923</u>
Shareholders' Equity		
Share Capital (note 7)	3,436,910	2,131,658
Warrants (note 8)	135,246	84,920
Stock Options (note 9)	282,910	71,836
Contributed Surplus (note 10)	155,503	31,647
Deficit	<u>(1,536,244)</u>	<u>(1,130,578)</u>
	<u>2,474,325</u>	<u>1,189,483</u>
	<u>\$ 2,913,057</u>	<u>\$ 1,608,406</u>

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

Approved on behalf of the Board

“Anthony J. Cohen”, Director

“Robert Van Tassell”, Director

Plato Gold Corp.

Statements of Operations and Deficit
For the Years Ended December 31

	2006	2005
Revenue		
Interest income	\$ 1,923	\$ 7,479
Expenses		
Amortization	1,938	1,407
Consulting fees	125,601	16,917
Insurance	25,060	16,897
Interest and financing costs	643	3,482
Office and general	15,991	10,930
Professional fees	45,587	95,568
Public and investor relations	13,050	7,028
Rent and utilities	22,518	18,858
Salaries and benefits	138,515	82,895
Stock-based compensation (note 9)	254,724	12,784
Transfer and filing fees	36,553	18,593
	<u>680,180</u>	<u>285,359</u>
Loss Before the Undernoted Items	(678,257)	(277,880)
Write-down of Mineral Properties and Deferred Exploration Costs	(9,867)	-
Reverse Takeover Transaction Costs (note 2)	<u>-</u>	<u>(291,214)</u>
Loss before Income Taxes	(688,124)	(569,094)
Future Income Tax Recoveries	<u>282,458</u>	<u>-</u>
Net loss for the Year	(405,666)	(569,094)
Deficit - Beginning of Year	(1,130,578)	(279,815)
Reverse Takeover Transaction Costs (note 2)	-	34,007
Share Issuance Costs (note 7(c))	<u>-</u>	<u>(315,676)</u>
Deficit - End of Year	<u>\$ (1,536,244)</u>	<u>\$ (1,130,578)</u>
Loss per Share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted Average Number of Common Shares Outstanding - basic and diluted	<u>27,331,382</u>	<u>19,243,770</u>

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

Plato Gold Corp.

Cash Flow Statements

For the Years Ended December 31

	2006	2005
Cash Flows from Operating Activities		
Cash paid to suppliers and employees	\$ (422,341)	\$ (360,033)
Interest received	<u>1,923</u>	<u>7,479</u>
	<u>(420,418)</u>	<u>(352,554)</u>
Cash Flows from Financing Activities		
Due to related parties	-	26,167
Cash received from reverse takeover	-	137,323
Reverse takeover transaction costs	-	(335,460)
Issuance of share capital	1,598,271	1,554,000
Share issuance costs	<u>(40,029)</u>	<u>(230,924)</u>
	<u>1,558,242</u>	<u>1,151,106</u>
Cash Flows from Investing Activities		
Mineral properties and deferred exploration costs	(845,858)	(669,041)
Purchase of property, plant and equipment	<u>-</u>	<u>(6,356)</u>
	<u>(845,858)</u>	<u>(675,397)</u>
Change in Cash and Cash Equivalents	291,966	123,155
Cash and Cash Equivalents - Beginning of Year	<u>126,911</u>	<u>3,756</u>
Cash and Cash Equivalents - End of Year	<u>\$ 418,877</u>	<u>\$ 126,911</u>
Non-cash financing and investing activities		
Assets and liabilities acquired pursuant to reverse takeover		
Prepaid share issuance costs	\$ -	\$ 25,700
Accounts payable and accrued liabilities	\$ -	\$ (416,631)
Due to related parties	\$ -	\$ (3,599)
Stock options granted to agent	\$ 9,896	\$ 59,052
Stock options granted to directors, officers and employees	\$ 254,724	\$ 3,195
Common shares issued to acquire mineral properties	\$ 160,000	\$ -
Mineral properties and deferred development costs contributed by shareholder	\$ -	\$ 30,859
Reverse takeover transaction costs incurred and included in accounts payable and accrued liabilities at end of period	\$ -	\$ 81,916

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

Plato Gold Corp.

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. Nature of Operations

Plato Gold Corp. (the "Company") is an Ontario corporation formed by amalgamation on May 30, 2005 as described below.

A predecessor corporation (Plato Gold Corp.) commenced operations in November 1996 when it entered into an agreement to acquire an interest in mining properties in the Timmins area of Northern Ontario.

The other predecessor corporation (Shatheena Capital Corp.) was classified as a Capital Pool Company as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4.

The Company is now a public junior gold exploration company with two projects. The first project is the GHHM 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, Nordeau Gold Project, includes the Nordeau East and Nordeau West gold deposits, and the Bateman East & West sites, in Vauquelin Township near Val d'Or, Quebec.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves. Consequently, the Company considers itself to be an exploration stage company

2. Acquisition and Amalgamation

Shatheena Capital Corp. ("Shatheena") entered into a letter agreement dated September 1, 2004 (the "Letter Agreement"), as amended January 1, 2005, under which Shatheena issued an offer to the shareholders of Plato Gold Corp. ("Plato Gold") to acquire all the issued and outstanding common shares of Plato Gold in exchange for common shares of Shatheena.

On May 30, 2005, pursuant to the Letter Agreement with Plato Gold, Shatheena issued to the shareholders of Plato Gold, in aggregate, 14,000,000 newly issued common shares of Shatheena, at a deemed price of \$0.25 per share for aggregate consideration of \$3,500,000 in exchange for all of the issued and outstanding shares of Plato Gold. Completion of the transaction constituted Shatheena's qualifying transaction ("Qualifying Transaction"). The shareholders of Plato Gold held the majority of the outstanding shares of Shatheena following the transaction, and accordingly, the transaction has been accounted for as a reverse take-over. Since Shatheena's operations do not constitute an economic unit, this transaction has been accounted for as a capital transaction.

Plato Gold Corp.

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

2. Acquisition and Amalgamation (continued)

The transaction has been accounted for as follows:

Assets acquired:	
Cash	\$ 137,323
Prepaid share issuance costs	25,700
Deferred acquisition costs	<u>428,537</u>
	<u>591,560</u>
Liabilities assumed:	
Accounts payable and accrued liabilities	\$ (416,631)
Due to related parties	<u>(3,599)</u>
	<u>(420,230)</u>
Net assets acquired	<u>\$ 171,330</u>

The transaction costs in excess of cash received have been charged to expense.

The transaction was a non-arm's length transaction as Shatheena and Plato Gold have an officer in common. This officer was also a shareholder and director of both corporations.

A prospectus dated April 25, 2005 was issued to offer for sale at least 3,000,000 equity units ("Units"), consisting of one common share and one-half common share purchase warrant, and 3,000,000 flow-through common shares ("Flow-Through Shares") at \$0.25 per Flow-Through Share or Unit. On May 30, 2005, 3,088,000 Units and 3,128,000 Flow-Through Shares were issued.

Subsequent to the share exchange and financing, Shatheena and Plato Gold amalgamated to continue as Plato Gold Corp.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and reflect the following significant accounting policies:

a) Basis of Presentation - Going Concern

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced recurring losses and has experienced negative cash flows from operations over a number of years. The application of the going concern concept is dependent on the Company's ability to generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become payable.

Plato Gold Corp.

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

3. Significant Accounting Policies (continued)

a) Basis of Presentation - Going Concern (continued)

The 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 financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used.

b) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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, valuation of options and warrants 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.

c) Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and short-term money market investments which on acquisition have a term to maturity of three months or less.

d) Mineral properties and deferred exploration costs

Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts. 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 net realizable value of undiscounted proven reserves, the properties are written down to the estimated fair value.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Senior management regularly reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

e) Property, Plant and Equipment

Property, plant and equipment are 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	30%
Furniture and fixtures	30%

Additions during the year are amortized using the half year rule.

Plato Gold Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

3. Significant Accounting Policies (continued)

f) 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 capital stock. Related exploration expenditures have been charged to mineral properties and deferred exploration costs. Resource expenditures deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation reduce share capital.

g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future 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 values, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

h) Stock-Based Compensation

The Company has one stock option plan that is described in note 9.

The Company has adopted CICA Handbook Section 3870, "*Stock-Based Compensations and Other Stock-Based Payments*", which recommends the fair market value-based method of accounting for stock-based compensation. The fair value of each option is accounted for over the vesting period of the options and the related credit is included in the recorded value of stock options. On exercise of the options, amounts previously credited to stock options are reversed and credited to share capital.

i) Asset Retirement Obligations

The Company is subject to the provisions of CICA Handbook Section 3110, *Asset Retirement Obligations*, which require the estimated fair value of any asset retirement obligations to be recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As at December 31, 2006 and 2005 the company has not incurred and is not committed to any asset retirement obligations in respect of its mineral exploration properties.

Plato Gold Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

3. Significant Accounting Policies (continued)

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 treasury stock method for options and warrants. As the Company had a loss in each of the two years presented, basic and diluted loss per share are the same, as the exercise of all options and warrants would be anti-dilutive.

k) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

4. Mineral Properties and Deferred Exploration Costs

	December 31, 2006			December 31, 2005	
	GHHM Gold Project	Nordeau Project	Other Properties	Total	GHHM Gold Project
Acquisition costs	\$ -	\$ 378,873	\$ -	\$ 378,873	\$ 192,281
Diamond Drilling	30,121	374,368	-	404,489	404,104
Geology	-	262,977	6,544	269,521	64,271
Geophysical	-	-	-	-	114,564
Linecutting	-	-	-	-	38,827
Other	8,463	1,586	3,623	13,672	18,245
Current expenditures	38,584	1,017,804	10,167	1,066,555	832,292
Balance - beginning of period	1,354,732	-	-	1,354,732	522,440
Write-down of mineral properties	-	-	(9,867)	(9,867)	-
Balance - end of year	<u>\$ 1,393,316</u>	<u>\$ 1,017,804</u>	<u>\$ 300</u>	<u>\$ 2,411,420</u>	<u>\$ 1,354,732</u>

Plato Gold Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

4. Mineral Properties and Deferred Exploration Costs (continued)

a) Nordeau Project

During the year ended December 31, 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 Bay Claims in Vauquelin Township, Quebec ("Nordeau Project").

In order to acquire the interests in the Nordeau Project, the Company must pay Globex cash payments totalling \$500,000 by December 31, 2007, of which \$200,000 has been paid as at December 31, 2006; issue 1,000,000 common shares to Globex at a deemed price of \$0.16 per share; incur exploration expenditures of \$6,000,000 by December 31, 2008 (of which \$638,932 has been incurred as at December 31, 2006) and complete a bankable feasibility study by December 31, 2009. Globex will 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.

b) GHHM Gold Project

The GHHM Gold Project is comprised of four properties along the Destor-Porcupine Fault Zone. These four properties are subject to a 2% net smelter returns royalty to a former director of the Company.

Exploration expenditures of \$30,859 were paid by a shareholder on behalf of the Company. These contributions have been recognized as contributed surplus.

5. Property, Plant and Equipment

	2006			2005		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	\$ 2,879	\$ 1,484	\$ 1,395	\$ 2,879	\$ 886	\$ 1,993
Furniture and fixtures	5,256	2,128	3,128	5,256	788	4,468
	<u>\$ 8,135</u>	<u>\$ 3,612</u>	<u>\$ 4,523</u>	<u>\$ 8,135</u>	<u>\$ 1,674</u>	<u>\$ 6,461</u>

Plato Gold Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

6. Due to Related Parties

	<u>2006</u>	<u>2005</u>
Related company	\$ 25,858	\$ 25,858
Director	<u>76,679</u>	<u>76,679</u>
	<u>\$ 102,537</u>	<u>\$ 102,537</u>

Amounts due to related parties are 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.

7. Share Capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

b) Common Shares Issued and Outstanding:

	<u>Number</u>	<u>Amount</u>
Plato Gold Corp. (old)		
Balance - December 31, 2003	7,873,279	\$ 652,578
Options exercised	<u>100,000</u>	<u>10,000</u>
Balance - December 31, 2004 and May 30, 2005	<u>7,973,279</u>	<u>\$ 662,578</u>
Plato Gold Corp. (new) (formerly Shatheena Capital Corp.)		
Balance - December 31, 2003 and 2004	2,620,000	\$ 412,000
Options exercised prior to Qualifying Transaction	<u>25,000</u>	<u>7,385</u>
Balance - May 30, 2005	2,645,000	419,385
Elimination of share capital in Shatheena	-	(419,385)
Shares issued to effect Qualifying Transaction	14,000,000	662,578
Issued for cash (note 7(c))	<u>6,216,000</u>	<u>1,469,080</u>
Balance - December 31, 2005	22,861,000	2,131,658
Issued for: private placements	13,641,663	1,371,829
exercise of options	206,356	55,881
mineral properties	1,000,000	160,000
Tax effect on renunciation of flow-through shares	<u>-</u>	<u>(282,458)</u>
Balance -December 31, 2006	<u>37,709,019</u>	<u>\$ 3,436,910</u>

Plato Gold Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

7. Share Capital (continued)

c) 2005 Prospectus Offering

As described in note (2), the Company issued 3,088,000 Units and 3,128,000 Flow-Through Shares at \$0.25 per Flow-Through Share or Unit. The Units consist of one common share and one-half common share purchase warrant. Each whole warrant entitled the holder to purchase one common share at \$0.35 per share until November 30, 2006. These warrants expired unexercised.

The estimated fair value of the warrants was \$84,920 and this amount has been allocated to the warrant component of the Units.

In connection with the prospectus offering, the Company paid a cash commission of \$132,610 plus 312,800 common share options and 308,800 options to purchase Units. Each option of common shares entitles the agent to purchase one common share at a price of \$0.25 per share until May 30, 2007, and each option of Units entitles the agent to purchase one Unit at a price of \$0.25 per Unit until May 30, 2007. The fair value of these options was estimated at \$29,716 and \$29,336 respectively.

In addition, the Company incurred other share issuance costs of \$124,014. Share issuance costs totalling \$315,676 (including the fair value of options granted to the agent) has been charged to retained earnings.

The fair values of warrants and options were estimated on the grant date using the Black-Scholes pricing model, with the following weighted average assumptions: risk-free interest rate of 2.95%, dividend yield of 0%, a volatility factor of the expected market price of the Company's shares of 66.10%; and an expected life of 2.0 years.

d) 2006 Shares Issued

During the year ended December 31, 2006, the Company:

- i) Issued 1,208,330 common shares for cash proceeds of \$145,000, of which 416,666 shares were issued to a director.
- ii) Issued 206,356 common shares to a director pursuant to the exercise of an equivalent number of stock options for cash proceeds of \$41,271. The Company has allocated the \$14,610 recorded value of these options to the common shares.
- iii) Issued 4,000,000 units for cash proceeds of \$400,000 (of which 625,000 units were issued to directors of the Company) pursuant to a private placement.

Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.15 per share until February 2, 2008. The fair values of the warrants were estimated at \$73,580 and this amount has been allocated to the warrant component of the units.

Plato Gold Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

7. Share Capital (continued)

d) 2006 Shares Issued (continued)

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.16%
Expected life	1.5 years
Expected volatility	100%

- iv) Issued 1,000,000 common shares to Globex at a deemed price of \$0.16 per share as part of the considerations for the Nordeau Project as described in note 4.
- v) Issued 2,916,668 flow-through common shares for cash proceeds of \$350,000 (of which 2,250,000 shares were issued to directors of the Company and 300,000 to an officer) pursuant to a private placement.
- vi) Issued 2,083,332 units for cash proceeds of \$250,000 pursuant to a private placement.

Each unit consists of one flow through common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.20 per share until November 3, 2007, and thereafter \$0.30 until November 3, 2008 at which time the warrants expire.

The estimated fair values of the warrants were estimated at \$61,666 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

Expected dividend yield	Nil
Risk-free interest rate	4.05%
Expected life	1.0 years
Expected volatility	100%

In conjunction with this financing, cash finders' fees totalling \$12,500, corporate finance and due diligence fees of \$12,500 and legal and filing fees of \$15,029 were paid, and compensation options were issued to acquire a total of 208,333 Units exercisable at \$0.12 per unit until November 3, 2008. The fair values of the options were estimated at \$9,896 and this amount has been allocated to the option component of the units.

- vii) Issued 3,433,333 flow-through common shares for cash proceeds of \$412,000 pursuant to a private placement.

Plato Gold Corp.

Notes to the Financial Statements

For the Years ended December 31, 2006 and 2005

7. Share Capital (continued)

d) 2006 Shares Issued (continued)

viii) Renounced Canadian exploration expenditures of \$782,000 to the investors whom had subscribed for the Company's flow-through shares in 2005 ("the renunciation"), resulting in a taxable temporary difference between the tax value and the carrying value of the Company's resource expenditures and creating a future income tax liability and a reduction to share capital.

As at December 31, 2006, the Company has sufficient unused tax losses and deductions ("losses") to offset the future income tax liability resulting from the renunciation and no future income tax assets have been previously recognized on such losses; therefore, future income tax recoveries of \$266,818 related to these losses were recognized and recorded as income during the year ended December 31, 2006 to offset the future income tax liability.

8. Warrants

	<u>Number</u>	<u>Amount</u>	<u>Weighted Average Exercise Price</u>
Balance - December 31, 2004	-	\$ -	\$ -
Issued: For cash (note 7(c))	<u>1,544,000</u>	<u>84,920</u>	<u>0.35</u>
Balance - December 31, 2005	<u>1,544,000</u>	<u>\$ 84,920</u>	<u>\$ 0.35</u>

As at December 31, 2005, the Company had 1,544,000 common share purchase warrants issued and outstanding. Each warrant entitled the holder to purchase one common share at \$0.35 per share until November 30, 2006. These warrants expired unexercised.

	<u>Number</u>	<u>Amount</u>	<u>Weighted Average Exercise Price</u>
Balance - December 31, 2005	1,544,000	\$ 84,920	\$ 0.35
Issued	4,083,332	135,246	0.18
Expired	<u>(1,544,000)</u>	<u>(84,920)</u>	<u>0.35</u>
Balance -December 31, 2006	<u>4,083,332</u>	<u>\$ 135,246</u>	<u>\$ 0.18</u>

As at December 31, 2006, the following common share purchase warrants ("warrants") were issued and outstanding:

- a) 2,000,000 warrants entitling the holder to purchase one common share at \$0.15 per share until February 2, 2008.
- b) 2,083,332 warrants entitling the holder to purchase one common share at \$0.20 per share until November 3, 2007 and \$0.30 until November 3, 2008.

Plato Gold Corp.

Notes to the Financial Statements

For the Years ended December 31, 2006 and 2005

9. Stock Options

- a) 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 five 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.

- b) A summary of changes to stock options for 2005 is as follows:

	<u>Number</u>	<u>Amount</u>
Balance - December 31, 2004	412,000	\$ 32,500
Expired prior to Qualifying Transaction	(150,000)	-
Exercised prior to Qualifying Transaction	(25,000)	(2,385)
	<u>237,000</u>	<u>30,115</u>
Elimination of options in Shatheena	-	(30,115)
Granted pursuant to Prospectus Offering:		
- options to purchase common shares (note 7(c))	312,800	29,716
- options to purchase units (note 7(c))	308,800	29,336
Granted to directors and officers	1,050,000	-
Cancelled/expired	(130,644)	-
Stock-based compensation recognized on options with graded vesting schedule	<u>-</u>	<u>12,784</u>
Balance - December 31, 2005	<u><u>1,777,956</u></u>	<u><u>\$ 71,836</u></u>

On September 1, 2005, the Company granted options to acquire a total of 1,050,000 common shares of the Company at an exercise price of \$0.20 per share to its directors and officers in accordance with its stock option plan.

The stock options were initially to be vested and released at a rate of 25% per year on the anniversary date of the grant and expire on September 1, 2010. In 2006, the terms were changed to vest at a rate of 25% on the date of the grant and on the six month anniversary dates of the grant.

Plato Gold Corp.

Notes to the Financial Statements
For the Years ended December 31, 2006 and 2005

9(b). Stock Options (continued)

Compensation expense of \$12,784 was recorded in connection with these options. The fair value of the options granted by the Company to the directors and officers was estimated using the Black-Scholes option pricing model, with the following assumptions: risk free interest rate of 3.29%; dividend yield of 0%; a volatility factor of the expected market price of the Company's shares of 94%; and an expected life of 5 years.

Stock options were granted, exercised and expired/cancelled as follows:

	Number	Weighted Average Exercise Price
Balance - December 31, 2004	412,000	\$ 0.20
Options exercised prior to Qualifying Transaction	(25,000)	(0.20)
Options issued pursuant to Prospectus Offering	621,600 ⁽¹⁾	0.25
Options expired/cancelled	(280,644)	(0.20)
Options granted to directors and officers	<u>1,050,000</u>	<u>0.20</u>
Balance - December 31, 2005	<u>1,777,956</u>	<u>\$ 0.22</u>
Options of Plato Gold (predecessor)		
Balance - December 31, 2004	200,000	0.10
Cancelled upon completion of Qualifying Transaction	<u>(200,000)</u>	<u>(0.10)</u>
Balance - December 31, 2005	<u>-</u>	<u>\$ -</u>

As at December 31, 2005 the following options were outstanding:

Option Price	Number of Options		Expiry Date
	Unvested	Vested	
\$ 0.20	-	106,356	October 24, 2008
\$ 0.20	1,050,000	-	September 1, 2010
\$ 0.25	<u>-</u>	<u>621,600⁽¹⁾</u>	May 30, 2007
	<u>1,050,000</u>	<u>727,956</u>	

⁽¹⁾ includes 308,800 options to purchase units. See note 7(c) for details

Plato Gold Corp.

Notes to the Financial Statements
For the Years ended December 31, 2006 and 2005

9. Stock Options (continued)

- c) During the year ended December 31, 2006, the Company:
- i) Granted 1,050,000 stock options to directors, officers and employees on April 5, 2006. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.175 per share until April 5, 2011. 25% of these options are vested at the date of grant, and the remainder vest at the rate of 25% every six months following the date of the grant.

As at December 31, 2006, 450,000 of these options have vested and the estimated fair value of \$81,830 has been included as stock-based compensation.

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

Expected dividend yield	Nil
Risk-free interest rate	4.20%
Expected life	5.0 years
Expected volatility	100%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

- ii) Granted 1,800,000 stock options to directors, officers and employees on November 16, 2006. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.105 per share until November 16, 2011. 25% of these options are vested at the date of grant, and the remainder vest at the rate of 25% every six months following the date of grant.

As at December 31, 2006, 450,000 of these options have vested and the estimated fair value of \$45,056 has been included as stock-based compensation.

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

Expected dividend yield	Nil
Risk-free interest rate	4.05%
Expected life	5.0 years
Expected volatility	100%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Plato Gold Corp.

Notes to the Financial Statements
For the Years ended December 31, 2006 and 2005

9(c). Stock Options (continued)

iii) 250,000 of the Company's stock options with an exercise price of \$0.20 were cancelled as a result of a director's resignation.

iv) 150,000 of the Company's stock options with an exercise price of \$0.175 were cancelled as a result of a director's resignation.

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

	<u>Number</u>	<u>Amount</u>
Balance - December 31, 2005	1,777,956	\$ 71,836
Granted	2,850,000	254,724
Agent's options granted	208,333	9,896
Exercised	(206,356)	(14,610)
Expired/Cancelled	(400,000)	(38,936)
Balance - December 31, 2006	<u>4,229,933</u>	<u>\$ 282,910</u>

vi) Stock options were granted, exercised and expired/cancelled as follows:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance - December 31, 2005	1,777,956	\$ 0.220
Granted	3,058,333	0.130
Exercised	(206,356)	0.200
Expired/cancelled	(400,000)	0.191
Balance -December 31, 2006	<u>4,229,933</u>	<u>\$ 0.158</u>

vii) As at December 31, 2006 the following options were outstanding:

<u>Option Price</u>	<u>Number of Options</u>		<u>Expiry Date</u>
	<u>Unvested</u>	<u>Vested</u>	
\$ 0.105	1,350,000	450,000	November 16, 2011
\$ 0.175	450,000	450,000	April 5, 2011
\$ 0.200	200,000	500,000	September 1, 2010
\$ 0.120	-	208,333	November 3, 2008
\$ 0.250	-	621,600	May 30, 2007
	<u>2,000,000</u>	<u>2,229,933</u>	

Plato Gold Corp.

Notes to the Financial Statements

For the Years ended December 31, 2006 and 2005

10. Contributed Surplus

	<u>2006</u>	<u>2005</u>
Balance - beginning of year	\$ 31,647	\$ 13,628
Exploration expenditures contributed (note 12(b))	-	18,019
Expiry of warrants	84,920	-
Cancellation of options	38,936	-
	<u>155,503</u>	<u>31,647</u>
Balance - end of year	<u>\$ 155,503</u>	<u>\$ 31,647</u>

11. 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 36% (2005 - 36%) to the pretax loss as a result of the following:

	<u>2006</u>	<u>2005</u>
Loss for the year	<u>\$ 405,666</u>	<u>\$ 569,094</u>
Income tax recovery computed at statutory rates	146,527	205,500
Increase (reduction) in income tax recovery resulting from:		
Permanent differences	(92,223)	(4,900)
Share issuance costs	-	(71,800)
Renunciation to flow through shareholders	282,458	-
Valuation allowance against current year's losses	<u>(336,762)</u>	<u>(128,800)</u>
	<u>\$ -</u>	<u>\$ -</u>

- b) The income tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities as at December 31, 2006 and 2005 are presented below:

	<u>2006</u>	<u>2005</u>
Future income tax assets:		
Canadian exploration expenses	\$ (267,096)	\$ 15,300
Non-capital loss carryforwards	391,383	232,300
Share issuance costs	181,261	241,000
	<u>305,548</u>	<u>488,600</u>
Less: valuation allowance	<u>(305,548)</u>	<u>(488,600)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

Plato Gold Corp.

Notes to the Financial Statements

For the Years Ended December 31, 2006 and 2005

11. Income Taxes (continued)

The valuation allowance for future income tax assets as at December 31, 2006 and December 31, 2005 was \$308,830 and \$488,600 respectively. The net change in the total valuation allowance for the year ended December 31, 2006 was an increase of \$179,770. The tax effect of resource expenditure renounced to shareholders in 2006 of \$266,818, has been recognized in the income statement and has been deducted from share capital. In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the absence of historical taxable income and the difficulty of making reliable projections for future taxable income over the periods in which the future income tax assets are deductible, management believes that it is more likely than not the Company will not realize the benefits of these deductible differences and has accordingly provided a valuation allowance.

- c) As at December 31, 2006, the Company had non-capital loss carryforwards of approximately \$1,083,000 which are available to reduce taxable income of future years and expire as follows:

2010	\$ 46,000
2014	213,000
2015	68,000
2015	325,000
2026	<u>431,000</u>
	<u>\$ 1,083,000</u>

- d) As at December 31, 2006, the Company has cumulative Canadian exploration expenses of \$1,043,398 (2005 - \$1,147,264) and cumulative Canadian development expenses of \$626,000 (2005 - \$250,000) available to reduce future years' taxable income.

12. Related Party Transactions

During the year ended December 31, 2006 the Company:

- a) incurred rent of \$22,518 (2005 - \$18,858) with related companies. The Company and the related companies have an officer in common. This officer is also a director and shareholder of both companies.
- b) capitalized exploration expenditures of \$Nil (2005 - \$30,859) which were paid by a shareholder on behalf of the Company.
- c) incurred consulting fees of \$120,000 (2005 - \$14,000) with one of the Company's officers.
- d) incurred consulting fees of \$5,000 (2005 - \$2,917) with one of the Company's directors. As at December 31, 2006, accounts payable and accrued liabilities included \$Nil payable to this director (2005 - \$1,250).

Plato Gold Corp.

Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

12. Related Party Transactions (continued)

- e) incurred accounting fees of \$63,400 (2005 - \$50,300) with an accounting firm in which an officer is a partner. As at December 31, 2006, accounts payable and accrued liabilities included \$ 85,425 payable to this accounting firm (2005 - \$42,380).
- f) During the year, the Company incurred insurance costs of \$25,060 (2005 - \$22,529) from a company which has an officer who is a director of the Company.

13. Financial Instruments

Fair Value

The carrying amounts for cash and cash equivalents, accounts payable and accrued liabilities approximate their fair values because of the short term nature of these items.

The fair value of amounts due to related parties are not determinable since there are no fixed terms of repayment.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

14. Subsequent Event

On March 6, 2007, the company completed a non-brokered private placement for gross proceeds of \$400,000. The private placement consisted of the sale of 2,727,270 flow-through units at a price of \$0.11 per unit for gross proceeds of \$300,000, and 1,000,000 hard dollar units at a price of \$0.10 per unit for gross proceeds of \$100,000.

Each flow-through unit consists of one flow-through common share and one non-flow through common share purchase warrant. Each warrant entitles the holder to acquire one hard dollar common share for \$0.20 until February 19, 2008, and thereafter for \$0.30 until February 19, 2009, at which time the warrants expire.

Each hard dollar unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one hard dollar common share for \$0.15 until February 19, 2008, and thereafter for \$0.25 until February 19, 2009, at which time the warrants expire.

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.