
Financial Statements

Plato Gold Corp.

Six Months Ended June 30, 2006

Unaudited

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Notice to Reader

The accompanying unaudited interim financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Plato Gold Corp.

Balance Sheets

	June 30, 2006 (unaudited)	December 31, 2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 15,952	\$ 126,911
Other Receivables	4,518	82,824
Deposits and prepaid expenses	47,928	37,478
	<u>68,398</u>	<u>247,213</u>
Mineral Properties and Deferred Exploration Costs (note 5)	1,398,247	1,354,732
Property, Plant and Equipment	<u>5,562</u>	<u>6,461</u>
	<u>\$ 1,472,207</u>	<u>\$ 1,608,406</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 253,228	316,386
Due to related parties (note 6)	<u>102,537</u>	<u>102,537</u>
	<u>355,765</u>	<u>418,923</u>
Shareholders' Equity		
Share Capital (note 7)	2,065,721	2,131,658
Warrants (note 8)	84,920	84,920
Stock Options (note 9)	199,317	71,836
Contributed Surplus (note 10)	31,647	31,647
Deficit	<u>(1,265,163)</u>	<u>(1,130,578)</u>
	<u>1,116,442</u>	<u>1,189,483</u>
	<u>\$ 1,472,207</u>	<u>\$ 1,608,406</u>

Approved on behalf of the Board

“Anthony J. Cohen”, Director

“Robert Van Tassell”, Director

Plato Gold Corp.

Statements of Operations and Deficit
Six Months Ended June 30, 2006 and 2005
Unaudited - See Notice to Reader

	Six Months Ended		Three Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Revenue				
Interest income	\$ 450	\$ 1,406	\$ -	\$ 1,406
Expenses				
Amortization	899	678	415	372
Consulting fees	87,100	2,000	79,850	2,000
Insurance	12,108	5,632	6,476	5,632
Interest and financing costs	196	3,319	91	3,267
Office and general	9,361	4,291	7,152	1,850
Professional fees	35,808	37,550	14,820	30,800
Public and investor relations	6,827	4,829	270	-
Rent	11,215	7,643	5,607	5,143
Salaries and benefits	70,537	13,386	34,319	13,386
Stock-based compensation	142,091	-	132,503	-
Transfer and filing fees	19,467	5,539	10,313	5,539
	<u>395,609</u>	<u>84,867</u>	<u>291,816</u>	<u>67,989</u>
Loss Before the Undernoted Items	(395,159)	(83,461)	(291,816)	(66,583)
Write-Down of Mineral Properties and Deferred Exploration Costs	(6,244)	-	(6,244)	-
Reverse Takeover Transaction Costs	-	(257,207)	-	(257,207)
Loss before Income Taxes	(401,403)	(340,668)	(298,060)	(323,790)
Future Income Tax Recoveries	266,818	-	-	-
Loss for the Period	(134,585)	(340,668)	(298,060)	(323,790)
Deficit - Beginning of Period	(1,130,578)	(279,815)	(967,103)	(296,693)
Share Issuance Costs	-	(315,676)	-	(315,676)
Deficit - End of Period	<u>\$(1,265,163)</u>	<u>\$ (936,159)</u>	<u>\$(1,265,163)</u>	<u>\$ (936,159)</u>
Loss per Share				
Basic	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.02)
Fully diluted	(0.01)	(0.02)	(0.02)	(0.02)
Weighted Average Number of Common Shares Outstanding				
Basic	23,683,764	15,566,586	24,112,415	17,115,956
Fully diluted	23,683,764	15,331,730	24,112,415	16,648,826

Plato Gold Corp.

Cash Flow Statements

Six Months Ended June 30, 2006 and 2005

Unaudited - See Notice to Reader

	Six Months Ended		Three Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Cash Flows from Operating Activities				
Cash paid to suppliers and employees	\$ (116,633)	\$ (138,128)	\$ (79,977)	\$ (128,653)
Interest received	450	1,406	-	1,406
	<u>(116,183)</u>	<u>(136,722)</u>	<u>(79,977)</u>	<u>(127,247)</u>
Cash Flows from Financing Activities				
Due to related parties	-	26,167	-	5,541
Cash received from reverse takeover	-	137,323	-	137,323
Reverse takeover transaction costs	-	(324,715)	-	(324,715)
Share capital	186,271	1,469,080	41,271	1,469,080
Warrants	-	84,920	-	84,920
Share issuance costs	-	(230,924)	-	(230,924)
	<u>186,271</u>	<u>1,161,851</u>	<u>41,271</u>	<u>1,141,225</u>
Cash Flows from Investing Activities				
Mineral properties and deferred exploration costs	(181,047)	(50,852)	(32,172)	(44,397)
Property, plant and equipment	-	(6,356)	-	-
	<u>(181,047)</u>	<u>(57,208)</u>	<u>(32,172)</u>	<u>(44,397)</u>
Change in cash and cash equivalents	(110,959)	967,921	(70,878)	969,581
Cash and cash equivalents - beginning of period	<u>126,911</u>	<u>3,756</u>	<u>86,830</u>	<u>2,096</u>
Cash and cash equivalents - end of period	<u>\$ 15,952</u>	<u>\$ 971,677</u>	<u>\$ 15,952</u>	<u>\$ 971,677</u>
Non-cash financing and investing activities				
Assets and liabilities acquired pursuant to reverse takeover				
Prepaid share issuance costs	\$ -	\$ 25,700	\$ -	\$ 25,700
Accounts payable and accrued liabilities	\$ -	\$ (416,631)	\$ -	\$ (416,631)
Due to related parties	\$ -	\$ (3,599)	\$ -	\$ (3,599)
Stock options granted to agent	\$ -	\$ 59,052	\$ -	\$ 59,052
Stock options granted to directors, officers and employees	\$ 142,091	\$ -	\$ 132,503	\$ -
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	\$ -	\$ 81,916

Plato Gold Corp.

Notes to the Financial Statements
Six Months Ended June 30, 2006
Unaudited - See Notice to Reader

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 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.

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.

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. The comparative figures presented in these financial statements are the historical results of Plato Gold.

The transaction was 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 was charged to expense.

Plato Gold Corp.

Notes to the Financial Statements
Six Months Ended June 30, 2006
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2. Acquisition and Amalgamation (continued)

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. Interim Financial Statements

These unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. These financial statements are based on accounting principles and practices consistent with those used in the preparation of the Company's annual financial statements. Certain information and note disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed or omitted. These interim financial statements should be read together with the audited financial statements and the accompanying notes for the year ended December 31, 2005. These interim financial statements have not been reviewed by the Company's auditors

4. Basis of Presentation

These interim 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
Six Months Ended June 30, 2006
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5. Mineral Properties and Deferred Exploration Costs

	June 30, 2006				June 30, 2005
	GHHM Gold Project ⁽¹⁾	Nordeau Project	Other Properties	Total	GHHM Gold Project
Diamond Drilling	\$ 30,121	\$ -	\$ -	\$ 30,121	\$ 4,468
Geology	-	11,642	6,244	17,886	-
Geophysical	-	-	-	-	66,466
Linecutting	-	-	-	-	9,025
Other	1,752	-	-	1,752	1,752
Current expenditures	31,873	11,642	6,244	49,759	81,711 ⁽²⁾
Balance - beginning of period	1,354,732	-	-	1,354,732	522,440
Write-down of mineral properties	-	-	(6,244)	(6,244)	-
Balance - end of period	<u>\$ 1,386,605</u>	<u>\$ 11,642</u>	<u>\$ -</u>	<u>\$ 1,398,247</u>	<u>\$ 604,151</u>

During the six months ended June 30, 2006, the Company signed a binding letter of intent 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 \$100,000 is a firm commitment; issue 1,000,000 common shares to Globex upon regulatory approval; incur exploration expenditures of \$6,000,000 by December 31, 2008 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.

Subsequent to the six months ended June 30, 2006, the Company and Globex have entered into an option agreement with the same terms as described above to formalize the acquisition.

⁽¹⁾ The GHHM Gold Project is comprised of four properties along the prolific Destor-Porcupine Fault Zone. These four properties are subject to a 2% net smelter returns royalty to a director of the Company.

⁽²⁾ Exploration expenditures of \$30,859 were paid by a shareholder on behalf of the Company. Of this amount, \$12,840 was a deposit made during the year ended December 31, 2004 and \$18,019 was paid during the six months ended June 30, 2005.

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6. Due to Related Parties

	<u>June 30, 2006</u>	<u>December 31, 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>
Balance - December 31, 2005	22,861,000	\$ 2,131,658
Issued for: private placement	1,208,330	145,000
exercise of options	206,356	55,881
Tax effect on renunciation of flow-through shares	<u>-</u>	<u>(266,818)</u>
Balance - June 30, 2006	<u>24,275,686</u>	<u>\$ 2,065,721</u>

During the six months ended June 30, 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) 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 June 30, 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 six months ended June 30, 2006 to offset the future income tax liability.

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8. Warrants

	<u>Number</u>	<u>Amount</u>
Balance - December 31, 2005	1,544,000	\$ 84,920
Issued	-	-
Balance - June 30, 2006	<u>1,544,000</u>	<u>\$ 84,920</u>

As at June 30, 2006, the Company has 1,544,000 common share purchase warrants issued and outstanding. Each warrant entitles the holder to purchase one common share at \$0.35 per share until November 30, 2006.

9. 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) During the six months ended June 30, 2006, the Company granted 1,050,000 stock options to directors, officers and employees. 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 grant.

As at June 30, 2006, 393,750 of these options have been earned and the estimated fair value of \$52,605 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.

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9. Options (continued)

c) 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	1,050,000	52,605
Exercised	(206,356)	(14,610)
Expired/Cancelled	-	-
Stock-based compensation recognized on options with graded vesting schedule	-	89,486
	<u>2,621,600</u>	<u>\$ 199,317</u>
Balance - June 30, 2006	<u>2,621,600</u>	<u>\$ 199,317</u>

d) 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	1,050,000	0.175
Exercised	(206,356)	0.200
Expired/cancelled	-	-
	<u>2,621,600</u>	<u>\$ 0.200</u>
Balance - June 30, 2006	<u>2,621,600</u>	<u>\$ 0.200</u>

e) As at June 30, 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>	
\$ 0.175	787,500	262,500	April 5, 2011
\$ 0.200	525,000	425,000	September 1, 2010
\$ 0.250	-	621,600	May 30, 2007
	<u>1,312,500</u>	<u>1,309,100</u>	

10. Contributed Surplus

Balance - December 31, 2005 and June 30, 2006 \$ 31,647

Plato Gold Corp.

Notes to the Financial Statements
Six Months Ended June 30, 2006
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11. Related Party Transactions

During the six months ended June 30, 2006, the Company:

- a) incurred rent of \$11,215 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.
- b) incurred consulting fees of \$84,000 with one of the Company's officers. As at June 30, 2006, accounts payable and accrued liabilities included \$72,210 payable to this officer.
- c) incurred consulting fees of \$2,500 with one of the Company's directors. As at June 30, 2006, accounts payable and accrued liabilities included \$1,250 payable to this director.
- d) incurred accounting fees of \$15,000 with an accounting firm in which one of the Company's officers is a partner. As at June 30, 2006, accounts payable and accrued liabilities included \$31,700 payable to this accounting firm.
- e) incurred insurance premiums of \$25,904 with a firm in which one of the Company's director is a senior executive.

Two additional related party transactions are described separately in note 7.

12. Subsequent Events

Subsequent to the quarter ended June 30, 2006, the Company issued 4,000,000 units for cash proceeds of \$400,000 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 18 months from the date of issuance of the units.

One additional subsequent event is described separately in note 5.