

**BCGOLD CORP.**

**(A Development Stage Company)**

**FINANCIAL STATEMENTS**

**MAY 31, 2006**

## AUDITORS' REPORT

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### To the Shareholders of BCGold Corp.:

We have audited the balance sheet of BCGold Corp. (the "Company") (A Development Stage Company) as at May 31, 2006 and the statements of loss and deficit and cash flows for the period 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 audit.

We conducted our audit 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 May 31, 2006 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

*"Staley, Okada & Partners"*

Vancouver, BC  
July 26, 2006

STALEY, OKADA & PARTNERS  
CHARTERED ACCOUNTANTS

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**BCGold Corp.**  
(A Development Stage Company)

**Balance Sheet**

As at May 31, 2006  
Canadian Funds

**ASSETS**

**Current**

Cash and cash equivalents	\$	22,314
Term deposit (Note 4)		100,000
Interest receivable		368
GST receivable		1,961
Prepaid expenses		42
	\$	<u>124,685</u>

**LIABILITIES**

**Current**

Accounts payable and accrued liabilities	\$	<u>30,906</u>
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**SHAREHOLDERS' EQUITY**

Share Capital (Note 5)		150,000
Deficit		<u>(56,221)</u>
		<u>93,779</u>
	\$	<u>124,685</u>

ON BEHALF OF THE BOARD:

/s/“Freeman Smith”, President & CEO , Director

/s/“Peter Kendrick”, CFO , Director

**BCGold Corp.***(A Development Stage Company)***Statement of Loss and Deficit****For the Period From February 10 ,2006 (Date of Incorporation)  
to May 31, 2006***Canadian Funds*

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<b>Expenses</b>	
Legal fees	\$ 26,228
Filing and regulatory fees	23,107
Audit fees	7,120
Interest and bank charges	209
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	56,664
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<b>Other Income</b>	
Interest income and other	(443)
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<b>Loss for the Period</b>	56,221
Deficit - Beginning of period	-
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<b>Deficit – End of Period</b>	\$ 56,221

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<b>Loss per Share - Basic and Diluted</b>	\$ (0.03)
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<b>Weighted Average Number of Common Shares</b>	1,770,455
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**BCGold Corp.***(A Development Stage Company)***Statement of Cash Flows****For the Three Month Period Ended May 31, 2006***Canadian Funds***Cash Resources Provided By (Used In)**

<b>Operating Activities</b>	
Loss for the period	\$ (56,221)
Changes in non-cash working capital:	
Accounts receivable	(368)
GST receivable	(1,961)
Prepaid expenses	(42)
Accounts payable	30,906
	<u>(27,686)</u>
<b>Investing Activities</b>	
Purchase of term deposit	<u>(100,000)</u>
<b>Financing Activities</b>	
Share issue proceeds	<u>150,000</u>
<b>Net Increase in Cash and Cash Equivalents</b>	22,314
Cash and cash equivalents - Beginning of period	<u>-</u>
<b>Cash and Cash Equivalents - End of Period</b>	<u>\$ 22,314</u>

**BCGold Corp.**  
(A Development Stage Company)

## **Notes to Financial Statements**

**May 31, 2006**  
Canadian Funds

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### **1. Nature of Operations**

BCGold Corp. ("the Company") was incorporated under the Business Corporations Act of British Columbia on February 10, 2006 as 0748496 B.C. Ltd. and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On March 1, 2006, the Company changed its name to BCGold Corp. The principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified, to negotiate an acquisition or participation.

On May 4, 2006, the Company filed a prospectus with the British Columbia, Alberta and Ontario Securities Commissions offering 2,800,000 common shares at \$0.10 per share as an initial public offering which was approved effective May 8, 2006. The offering was completed after May 31, 2006 (*Note 7(a)(ii)*).

The shares of the Company commenced trading on the TSX-V under the exchange symbol BGX, on June 8, 2006.

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### **2. Significant Accounting Policies**

#### **a) Cash and Cash Equivalents**

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at point of purchase of 90 days or less. The Company places its cash and cash equivalents with institutions of high-credit worthiness.

#### **b) Income Taxes**

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

#### **c) Share Capital**

- i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

**BCGold Corp.**

(A Development Stage Company)

**Notes to Financial Statements****May 31, 2006**

Canadian Funds

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**2. Significant Accounting Policies - Continued****d) Earnings (Loss) per Share**

Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

**e) Stock-Based Compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

During the period, the Company did not grant options to its directors, officers or employees.

**f) Management's Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

**g) Flow-Through Shares**

The Company follows the recommendations of the Emerging Issues Committee relating to flow-through shares effective for all flow-through agreements dated after March 19, 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

**BCGold Corp.***(A Development Stage Company)***Notes to Financial Statements****May 31, 2006***Canadian Funds*

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**2. Significant Accounting Policies - Continued****h) Mineral Properties**

The Company records its interest in mineral properties and areas of geological interest at cost. Costs relating to these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the property following commencement of production, or written off if the mineral properties or projects are sold or allowed to lapse. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off.

The Company assesses its capitalized resource property costs on a regular basis. A property is written-down or written-off when the Company determines that a permanent impairment of value has occurred or when exploration results indicate that no further work is warranted. The Company will also reduce its capitalized mineral property costs if no active exploration has been conducted on the property for a period of three or more years.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

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**3. Fair Value of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, term deposit, amounts receivable, GST receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

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**4. Term Deposit**

Details are as follows:

	May 31, 2006
Guaranteed Investment Certificate	\$ 100,000
Maturity date	May 2, 2007
Interest rate per annum	3.85%

The guaranteed investment certificate is cashable after 30 days.

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**BCGold Corp.***(A Development Stage Company)***Notes to Financial Statements****May 31, 2006***Canadian Funds*

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**5. Share Capital**

- a) Details are as follows:

	<u>Number of Shares</u>	<u>Amount</u>
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
Common shares ( <i>Note 5b</i> )	3,000,000	\$ 150,000

- b) During the period ended May 31, 2006, the Company issued 3,000,000 common shares at a price of \$0.05 per common share for total proceeds of \$150,000 to directors and officers of the Company. These common shares will be held in escrow and will be released pro-rata to the shareholders as follows: 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V, and as to the remainder in six equal tranches of 15% every six months thereafter, for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. At period end, 100% of shares were held by officers and directors of the Company.
- c) The Company has reserved 520,000 stock options to be granted, upon completion of the initial public offering, to the directors and officers. The options entitle the holders to purchase an aggregate of 520,000 common shares at a price of \$0.10 per share, with an expiry date of five years from the date of grant.

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**6. Income Taxes**

The Company has non-capital losses for tax purposes of approximately \$56,000 that are available to offset future taxable income. These losses may be carried forward for up to 10 years and will expire if unused.

The potential future tax benefit of these tax losses has not been recognized in these financial statements.

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**7. Subsequent Events**

- a) (i) Subsequent to period end, the Company has completed its initial distribution of securities to the public. The gross proceeds received by the Company for the offering were \$280,000 (2.8 million common shares at \$0.10 per share). The agent received 280,000 warrants to purchase one common share at \$0.10 for a period of 24 months from the day the shares are listed on the TSX-V. On June 9, 2006 the agent exercised 100,000 warrants for gross proceeds of \$10,000.
- (ii) Subsequent to period end, the Company issued 520,000 stock options to directors and officers under its current stock option plan to purchase one share at \$0.10 per share for a period of 5 years from the date of grant.

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**Notes to Financial Statements**

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**7. Subsequent Events - Continued**

- a) (iii) Subsequent to period end, the Company is planning to complete a non-brokered private placement to raise gross proceeds of up to \$800,000 in any combination of common shares at \$0.35 per share and flow-through shares at a price of \$0.40 per share.
- b) On July 10, 2006, the Company had signed a Letter of Intent with Kaminak Gold Corp. ("Kaminak") to earn an interest in Kaminak's Voigtberg Property located in the Iskut River area, Liard Mining Division, British Columbia.

The Company may exercise its right to earn up to a 60% interest in the Voigtberg Property by:

1. Issuing:

- i) 100,000 units to Kaminak as of the date of closing of the Qualifying Transaction. Each unit to consist of one common share of the Company and one-half of one common share purchase warrant, each whole warrant being exercisable to purchase one common share at \$0.40 per share for one year following the closing date; and
- ii) An additional 100,000 units to Kaminak on each of the first, second and third anniversaries of the closing date for a total of 300,000 additional units. Each additional unit to consist of one common share of the Company and one-half of one common share purchase warrant, each whole warrant being exercisable for one year following the date of issuance to purchase one common share at an exercise price determined by taking the weighted average closing price of the common shares of the Company for the 20 consecutive trading days immediately prior to the date of issuance plus 25%.

2. Incurring minimum exploration expenditures over a four-year period as follows:

i)	\$	350,000	in the first year;
ii)	\$	350,000	in the second year;
iii)	\$	650,000	in the third year; and
iv)	\$	650,000	in the fourth year.
		<u>\$</u>	<u>2,000,000</u>

3. Operating the exploration program for the second through fourth years.

Upon incurring \$1 million in exploration expenditures, the Company will have earned a 50% interest in the Voigtberg property and, upon the issuance of all of the initial and additional units, incurring all of the expenditures and operating the exploration program as set out above, the Company will have earned a 60% interest in the Voigtberg property. The Company may earn an additional 10% interest in the property by completing a bankable feasibility study, for a total 70% interest in the property.

The Filing Statement relating to the Qualifying Transaction of the Company is under review by the regulatory authorities.

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