BCGOLD CORP.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2011 and 2010

(Stated in Canadian Funds)

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of BCGoldCorp.

Report on the financial statements

We have audited the accompanying financial statements of BCGold Corp. which comprise the balance sheets as at February 28, 2011 and 2010, and the statements of loss and deficit, comprehensive loss and accumulated other comprehensive loss and cash flows for the years then ended, 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 financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BCGold Corp. at February 28, 2011 and 2010 and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

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Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has no current sources of revenue and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED ACCOUNTANT
Vancouver, BC
June 23, 2011

BCGold Corp.

(An Exploration Stage Company)

Balance Sheets

Statement 1

(Stated in Canadian Funds)

ASSETS		As at February 28, 2011		As at February 28, 2010
Current				
Cash and cash equivalents *(Note 7f)*	$	**1,419,320**	$	204,935
Short-term investments *(Note 3)*		**285,000**		179,500
Marketable securities *(Note 4)*		**115,000**		62,500
Sales tax and other receivables		**48,462**		32,996
Prepaid expenses		**34,981**		11,075
		1,902,763		491,006
Property and Equipment *(Note 5)*		**31,324**		40,782
Resource Property Costs *(Note 6)*		**1,439,924**		1,821,589
	$	**3,374,011**	$	2,353,377

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**93,069**	$	165,934

SHAREHOLDERS' EQUITY				
Share Capital *(Note 7a)*		**11,441,988**		9,496,653
Share Purchase Warrants *(Note 7c)*		**1,060,386**		388,934
Contributed Surplus *(Note 8)*		**2,153,486**		1,654,305
Accumulated Other Comprehensive Loss – *Statement 3*		**(168,250)**		(216,250)
Deficit - *Statement 2*		**(11,206,668)**		(9,136,199)
		3,280,942		2,187,443
	$	**3,374,011**	$	2,353,377

Going Concern *(Note 1)*
Subsequent Events *(Note 12)*

ON BEHALF OF THE BOARD:

"Brian Fowler", Director

"Guy Le Bel", Director

- See Accompanying Notes to the Financial Statements -

Statement 2

BCGold Corp.
(An Exploration Stage Company)
Statement of Loss and Deficit
(Stated in Canadian Funds)

		For the year ended February 28, 2011		For the year ended February 28, 2010
Expenses				
Amortization	$	9,458	$	12,520
Conferences and meetings		25,785		19,761
Corporate listing and filing fees		16,704		17,066
General exploration		205,425		50,564
Investor relations		34,563		14,093
Office and administration		69,207		73,643
Professional fees		71,873		50,315
Rent		47,707		39,314
Resource property exploration expenses *(Note 6)*		981,858		769,885
Stock-based compensation *(Note 7d)*		147,916		-
Transfer agent fees		15,716		12,116
Wages and consulting fees		447,818		326,594
Loss before the undernoted		(2,074,030)		(1,385,871)
Other Income (Expenses)				
Gain on sale of marketable securities		105,130		-
Interest and other income		32,518		7,734
Interest and penalties expense		(869)		(1,424)
Write-down of mineral interest *(Note 6c)*		(579,165)		-
		(442,386)		6,310
Loss before income taxes		(2,516,416)		(1,379,561)
Future income tax recovery *(Note 11a)*		445,947		156,750
Net loss for the year		(2,070,469)		(1,222,811)
Deficit - Beginning of Year		(9,136,199)		(7,913,388)
Deficit - End of Year	$	(11,206,668)	$	(9,136,199)
Basic Loss per Share	$	(0.03)	$	(0.03)
Weighted Average Number of Shares Outstanding		67,745,500		40,299,850

- See Accompanying Notes to the Financial Statements -

BCGold Corp.

Statement 3

(An Exploration Stage Company)

Statement of Comprehensive Loss and Accumulated Other Comprehensive Loss

(Stated in Canadian Funds)

Comprehensive Loss		**For the year ended February 28, 2011**		For the year ended February 28, 2010
Net loss for the year before comprehensive loss	**$**	**(2,070,469)**	$	(1,222,811)
Unrealized gain on marketable securities		**48,000**		37,500
Comprehensive loss for the year	**$**	**(2,022,469)**	$	(1,185,311)

Accumulated Other Comprehensive Loss		**For the year ended February 28, 2011**		For the year ended February 28, 2010
Balance, beginning of the year	**$**	**(216,250)**	$	(253,760)
Unrealized gain on marketable securities		**48,000**		37,500
Balance, end of the year	**$**	**(168,250)**	$	(216,250)

BCGold Corp.

Statement 4

(An Exploration Stage Company)

Statement of Cash Flows

(Stated in Canadian Funds)

	For the year ended February 28, 2011	For the year ended February 28, 2010
Cash Flows from Operating Activities		
Net loss for the year	**$ (2,070,469)**	$ (1,222,811)
Items not affected by cash:		
Future income tax recovery *(Note 11a)*	**(445,947)**	(156,750)
Stock-based compensation *(Note 7d)*	**147,916**	-
Gain on sale of marketable securities	**(105,130)**	-
Write-down of mineral interest *(Note 6c)*	**579,165**	-
Amortization	**9,458**	12,520
	(1,885,007)	(1,367,041)
Change in non-cash working capital:		
Sales tax and other receivables	**(15,466)**	124,249
Prepaid expenses	**(23,906)**	15,887
Accounts payable and accrued liabilities	**(72,866)**	10,643
	(1,997,245)	(1,216,262)
Cash Flows from Investing Activities		
Short-term investments	**(105,500)**	(34,500)
Proceeds from sale of marketable securities	**120,130**	-
Purchase of property and equipment, net	**-**	(7,000)
Resource property costs, net	**75,000**	(122,500)
	89,630	(164,000)
Cash Flows from Financing Activities		
Issuance of share capital and share purchase warrants, net	**3,122,000**	1,013,184
Net Increase (Decrease) in Cash and Cash Equivalents	**1,214,385**	(367,078)
Cash and Cash Equivalents - Beginning of Year	**204,935**	572,013
Cash and Cash Equivalents - End of Year	**$ 1,419,320**	$ 204,935
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Fair value of warrants issued for properties	**$ 13,890**	$ 5,613
Shares issued for resource properties	**$ 292,000**	$ 55,000
Fair value of shares received – property option payment / marketable securities	**$ 19,500**	$ -
Fair value of finder's units issued	**$ -**	$ 28,615
Fair value of broker's options and warrants issued	**$ -**	$ 27,528

- See Accompanying Notes to the Financial Statements –

1. Nature of Operations and Going Concern

The Company is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no sources of revenue, and has significant cash requirements to meet its exploration commitments, administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to make scheduled payments under each of its property agreements, the development of these properties and future profitable production or proceeds from the disposition of mineral properties.

While these financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. The Company has incurred losses since inception and has an accumulated deficit of $11,206,668 at February 28, 2011. The Company will need to raise sufficient funds in order to finance ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include BCGold's performance (as measured by numerous factors including the progress and results of its various projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. If successful, the Company would obtain additional financing through, but not limited to, the issuance of additional equity.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Significant Accounting Policies

a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting policies followed by the Company are set out below and have been consistently followed in the preparation of these financial statements as compared to prior years.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits and short-term highly liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at cost, which approximates their fair value.

2. Significant Accounting Policies *– Continued*

c) Short-term Investments

The Company classifies all its investments with maturities greater than three months to one year as short-term investments. All short-term investments have been classified as held-for-trading.

d) Resource Property Costs

All resource property costs are expensed in the statement of loss and deficit except for significant costs related to property acquisitions which are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

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 conveyance historical characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made.

e) Asset Retirement Obligations

The Company recognizes the fair value of legal obligations relating to the retirement of long-lived tangible assets arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement obligations are recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. Any liability is subject to accretion over time for increases in the fair value of the liability.

At February 28, 2011, no asset retirement costs have been recognized as none of the Company's properties are estimated to require any remediation or other expenditures upon their retirement.

f) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income (loss) includes the holding gains and losses from available-for-sale securities which are not included in net income (loss) until realized.

g) Marketable Securities

Marketable securities consisting of common shares of a public company are classified as available-for-sale and are reported at market value. At the end of each reporting period, management determines if there has been a change in the market value of each individual security and records an adjustment to market value, with the offsetting debit or credit to other comprehensive income (loss).

2. Significant Accounting Policies – *Continued*

h) Property and Equipment

Property and equipment is recorded at cost less accumulated amortization. The Company provides for amortization using the declining balance method at rates designed to amortize the cost of the property and equipment over its estimated useful life. The annual amortization rates are as follows:

Computer equipment	30 %
Computer software	100 %
Office furniture and equipment	20 %
Project field equipment	20 %

i) Income Taxes

The Company accounts for income taxes under the asset and liability method. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences between the time when income and expenses are recognized in accordance with Company accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using statutory enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. A valuation allowance is established, as needed, to reduce the future income tax asset to the amount that is more likely than not to be realized.

j) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

k) 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 options is charged to operations immediately or on the basis of the vesting period, which may be determined by the Board of Directors, with the offsetting credit to contributed surplus. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

2. Significant Accounting Policies *– Continued*

l) Impairment of Long-Lived Assets

Management reviews and evaluates the carrying value of its mineral properties and property and equipment for impairment when events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. If the total estimated future operating cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is recognized and assets are written down to fair value which is normally determined using the discounted value of future cash flows. Where estimates of future cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value.

m) Management's Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Significant areas where management's judgment is applied include asset and investment valuations, assumptions used in determining the fair value of warrants and non-cash stock-based compensation, contingent liabilities including matters in litigation, tax provisions and future tax balances including valuation allowances in respect of future tax balances and accrued liabilities. Actual results could differ from these estimates.

n) Warrants

The fair value of warrants issued is estimated on the date of grant and the value is recorded as a separate component of equity. Upon the expiry of any warrants, the fair value which was estimated is reclassified to contributed surplus.

o) Basic Loss per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Since the Company has losses, fully diluted loss per share is not presented as the exercise of outstanding stock options and warrants would be anti-dilutive.

p) Flow-Through Shares

The Company follows the recommendations of the Emerging Issues Committee, relating to flow-through shares. Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying expenditures are renounced to subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced. To the extent available, this future income tax liability is then reduced by the recognition of previously unrecorded future income tax assets on unused tax losses and deductions.

q) Mineral Exploration Tax Credits ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant Accounting Policies *– Continued*

r) Financial Instruments – Recognition and Measurement

Section 3855 requires that all financial instruments are classified as one of the following: held-to-maturity investments, loans and receivables, available-for-sale, held-for-trading or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost, using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits the designation of any financial instruments as held-for-trading upon initial recognition.

All derivative instruments, including certain embedded derivatives that are required to be separated from their host contracts, are recorded on the balance sheet at fair value and market-to-market adjustments on these instruments are included in net income. The Company has no derivative instruments.

The following is a summary of the accounting model the Company elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents …………………………	Held-for-trading
Short-term investments …………………………..	Held-for-trading
Other receivables ……………………………..	Loans and receivables
Marketable securities …………………………….	Available-for-sale
Accounts payable and accrued liabilities ………..…	Other financial liabilities

All other financial instruments are recorded at cost or amortized cost, subject to impairment assessments. Interest is calculated using the effective interest method.

Transaction costs incurred to acquire or issue financial instruments are included in the initial carrying amount of the relevant financial instrument.

Where a financial asset classified as held-to-maturity or available-for-sale has a loss in value which is considered to be other than temporary, the financial asset is written down to recognize the loss by a charge to earnings.

s) Financial Instruments – Disclosure, Section 3862

In June 2009, Handbook Section 3862 was further amended to include disclosures about fair value measurements of financial instruments and to enhance liquidity risk disclosure. The additional fair value measurement disclosures include classification of financial instrument fair values in a fair value hierarchy comprising of three levels reflecting the significance of the inputs used in making the measurements, described as follows:

(Stated in Canadian Funds)

2. Significant Accounting Policies *– Continued*

s) Financial Instruments – Disclosure, Section 3862 *– Continued*

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company has adopted these amendments in the prior fiscal year ended February 28, 2010 and the additional required disclosures are included in Note 10.

<u>Recent Canadian Accounting Pronouncements</u>

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting are summarized below:

t) International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for all publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. Short-term Investments

As at February 28, 2011, the Company has invested $234,500 into Guaranteed Investment Certificates ("GICs") with a Canadian Financial Institution. These GICs are yielding interest at rates ranging from 0.2% to 1.2% and have maturity dates of 4 months. The Company has also invested a total $50,500 into various GICs with a Canadian financial institution as part of a Safe-Keeping Agreement. These funds are being held to the order of the Ministry of Energy, Mines and Petroleum Resources. These GICs are yielding interest at rates ranging from 0.2% to 1.15%. A summary of the details above is as follows:

		February 28, 2011		February 28, 2010
Guaranteed Investment Certificates	**$**	**234,500**	$	134,500
Guaranteed Investment Certificates - Safekeeping Agreements		**50,500**		45,000
Total Short-term Investments	**$**	**285,000**	$	179,500

(Stated in Canadian Funds)

4. Marketable Securities

	February 28, 2011		February 28, 2010	
	Market Value	**Cost**	Market Value	Cost
Common shares of public companies, not subject to significant influence	**$ 115,000**	**$ 283,250**	$ 62,500	$ 278,750

5. Property and Equipment

Details are as follows:

	February 28, 2011			February 28, 2010		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer equipment	**$ 33,079**	**$ (23,965)**	**$ 9,114**	$ 33,079	$ (20,059)	$ 13,020
Computer software	**77,181**	**(77,181)**	**-**	77,181	(77,181)	-
Office furniture and equipment	**31,058**	**(17,234)**	**13,824**	31,058	(13,779)	17,279
Project field equipment	**14,629**	**(6,243)**	**8,386**	14,629	(4,146)	10,483
	$ 155,947	**$ (124,623)**	**$ 31,324**	$ 155,947	$ (115,165)	$ 40,782

6. Resource Property Costs

Details of the Company's resource property acquisition costs are as follows:

	Minto/Carmacks Copper-Gold Properties (Yukon)	**Engineer (B.C.)**	**Sickle-Sofia (B.C.)**	**Voigtberg (B.C.)**	**Other Properties (B.C.)**	**Total**
Balance, February 28, 2009	$ 571,334	$ 352,263	$ 579,165	$ 140,944	$ 383	**$ 1,644,089**
Acquisition costs - cash	62,500	60,000	-	-	-	**122,500**
Acquisition costs - shares and warrants	20,000	24,000	-	11,000	-	**55,000**
Balance, February 28, 2010	$ 653,834	$ 436,263	$ 579,165	$ 151,944	$ 383	**$ 1,821,589**
Acquisition costs - cash	50,000	10,000	-	-	10,000	**70,000**
Acquisition costs - shares and warrants	12,000	250,000	-	18,000	12,000	**292,000**
Property option payments received – cash and shares	(164,500)	-	-	-	-	**(164,500)**
Write-down of mineral interest	-	-	(579,165)	-	-	**(579,165)**
Balance, February 28, 2011	$ 551,334	$ 696,263	$ -	$ 169,944	$ 22,383	**$ 1,439,924**

(Stated in Canadian Funds)

6. Resource Property Costs *– Continued*

Details of the Company's resource property exploration expenditures, which have been cumulatively expensed in the Statement of Loss and Deficit, are as follows:

	Minto/Carmacks Copper-Gold Properties (Yukon)	Engineer (B.C.)	Sickle-Sofia (B.C.)	Voigtberg (B.C.)	Other Properties (B.C.)	Total
Balance, February 28, 2009	2,924,687	1,373,291	999,680	837,787	64,018	**6,199,463**
Exploration expenditures / (recovery)	696,354	83,539	7,828	(44,118)	26,282	**769,885**
Balance, February 28, 2010	$ 3,621,041	$ 1,456,830	$ 1,007,508	$ 793,669	$ 90,300	**$ 6,969,348**
Exploration expenditures	301,781	528,676	-	81,366	70,035	**981,858**
Balance, February 28, 2011	**$ 3,922,822**	**$ 1,985,506**	**$ 1,007,508**	**$ 875,035**	**$ 160,335**	**$ 7,951,206**

a) Minto/Carmacks Copper-Gold Properties, Yukon

On November 1, 2006, the Company entered into an option agreement with a third party and has acquired a 100% interest in several mineral properties in the vicinity of the Minto/Carmacks Copper-Gold Belt by making $300,000 in cash payments, incurring $900,000 in exploration expenditures and issuing 1,000,000 units between April 2007 and October 2010.

The 1,000,000 units noted above consist of one common share of BCGold and one-half of one common share purchase warrant. Each whole share purchase warrant will be exercisable to purchase one common share of BCGold for two years following the date of issuance at a price per common share to be determined by taking the weighted average closing price of the common shares of BCGold on the TSX Venture Exchange (or such other stock exchange or quotation system as BCGold's shares may be traded or quoted on) for the twenty consecutive trading days immediately prior to the date of issuance, plus 25% and subject to a floor price of not less than $0.50. For each scheduled share purchase warrant issuance, half of the warrants will be subject to a 4 month hold period with the other half subject to a 12 month hold period. As at November 30, 2010, 350,000 warrants out of the 500,000 warrants issued have expired without exercise.

A Net Smelter Royalty ("NSR") of 1.75% applies to the mineral properties of which 1.25% can be purchased for $1,500,000.

Toe and Pepper Properties

During the fiscal year ended February 28, 2011, the Company optioned two of its Minto/Carmacks Copper-Gold properties to two unrelated public companies. Under the terms of the Option Agreements, the Company received an aggregate of 200,000 common shares and cash consideration. The fair value of these shares at the date of issuance amounted to $19,500 and was recorded as marketable securities. Subsequent to the year ended February 28, 2011, these Option Agreements were terminated. *(See Note 12)*

6. Resource Property Costs *– Continued*

b) Engineer, BC

On January 16, 2007, the Company entered into an option agreement, which was subsequently amended in 2007, 2009 and January 12, 2010, to acquire up to a 100% interest in the Engineer Mine Property. The Company acquired a 49% interest by:

- Paying $125,000 by January 16, 2008 *(paid)*;

- Issuing an aggregate of 250,000 common shares *(issued – fair value of $147,500)* and 250,000 warrants *(issued – fair value of $79,763 – expired);*

- Making a rental payment of $30,000 on January 16, 2010 *(paid)* and thereafter annual rental payments of $10,000 per year *(2011 payment made)* when the mine property is not in production and $50,000 per year when the mine property is in production. Such rent payments shall cease upon the Company earning a 100% interest in the property or purchasing the surface rights;

- Issuing 1,200,000 common shares of which 400,000 shares will be issued upon approval from the TSX-V *(issued – fair value of $24,000)* and 400,000 shares will be released every six months thereafter; *(second tranche issued – fair value of $48,000; third tranche issued – fair value of $52,000)*

- Granting a 30% net proceeds interest from the sale of gold from the Double Decker Vein; and

- Either evaluating and completing an underground de-watering program or evaluating and carrying out a drilling program. *(completed drill program)*

Since earning the 49% interest, the Company can earn a further 51% interest in stages as follows:

- An additional 11% interest *(earned)* by issuing $150,000 of value in shares and 75,000 warrants by January 16, 2011; *(issued 1,200,000 shares – fair value of $150,000 for the shares and $7,108 for the warrants)*

- An additional 15% interest by paying $200,000 or issuing $200,000 of value in shares and 100,000 warrants by January 16, 2012; and

- An additional 25% interest by paying $400,000 or issuing $400,000 of value in shares and 100,000 warrants by January 16, 2013.

Since earning the 49% interest, the Company may now purchase the remaining interest in the surface rights at fair value subject to a maximum of $500,000 on the earlier of January 17, 2017 or the date the Company has ceased mining work, as defined in the agreements.

All payments and issuances may be accelerated at the Company's option.

Each share purchase warrant will be exercisable to purchase one common share of the Company for two years following the date of issuance at a price to be determined by taking the weighted average closing price of the common shares for the twenty consecutive trading days immediately prior to the date of issuance, plus 25%.

6. Resource Property Costs – *Continued*

c) Sickle-Sofia, BC

On September 15, 2006, the Company signed a letter of intent with Stealth Minerals Limited ("Stealth") to earn up to a 75% interest in Stealth's Sickle-Sofia property located in north-central British Columbia. On March 31, 2009, BCGold earned its 51% interest in the Sickle-Sofia property by incurring $1,000,000 in exploration expenditures and issuing 450,000 shares and 225,000 share purchase warrants *(expired)*. A portion of the Sickle Sofia property is subject to an underlying 3% NSR held by a third party. The Company can reduce the NSR through various cash payments ranging from $10,000 to $15,000 per property or lump sum payments ranging from $350,000 to $1,000,000.

Under the terms of the Option Agreement, the Company purchased an aggregate of 2,500,000 common shares *(acquired in 2007 and 2008)* of Stealth at a price of $0.20 per share. The fair value of these shares at the date of issuance amounted to $192,500 (2007 - $86,250) and was recorded as marketable securities. The premium paid over the fair value was capitalized to resource property costs in the amount of $157,500 (2007 - $63,750).

During March 2009, the Company notified Stealth that it will not proceed with the Second and Third Options to earn a 60% and 75% interest respectively, in the Sickle Sofia property.

During the fiscal year ended February 28, 2011, the Company wrote-off its Sickle-Sofia property for accounting purposes only and still retains legal title to its 51% interest in the mineral claims.

d) Voigtberg, BC

On July 10, 2006, the Company signed a letter of intent with Kaminak Gold Corp. ("Kaminak"), which was subsequently amended * on September 11, 2009 and September 15, 2010 to earn a 70% interest in Kaminak's Voigtberg property located in the Iskut River area, Liard Mining Division, British Columbia.

In order for the Company to earn up to a 60% interest in the Voigtberg property, the Company must, at its option, issue 100,000 units to Kaminak as of the date of closing of the qualifying transaction *(issued – September 15, 2006 – fair value $27,386 for the shares and $7,614 for the warrants - expired)*. In addition, the Company must, at its option, issue the following:

- 100,000 units on or before September 15, 2007 *(issued – fair value of $70,000 for the shares and $16,944 for the warrants - expired);*
- 100,000 units on or before September 15, 2008 *(issued – fair value of $14,264 for the shares and $4,736 for the warrants - expired); and*
- 100,000 units on or before September 15, 2010 *(issued – fair value of $7,076 for the shares and $1,924 for the warrants)*

Each unit will consist of one common share of BCGold and one-half of one common share purchase warrant with each whole warrant being exercisable to purchase one additional common share of BCGold for one year following the date of issuance at a price per common share to be determined by taking the weighted average closing price of the common shares of the Company for the twenty consecutive trading days immediately prior to the date of issuance, plus 25%. The Company must also, at its option, incur minimum exploration expenditures over a five year period as follows:

(Stated in Canadian Funds)

6. Resource Property Costs *– Continued*

d) Voigtberg, BC *– Continued*

		Amount	Date	Interest Earned
i)	$	350,000	to September 15, 2007 *(incurred)*	0%
ii)		350,000	to September 15, 2008 *(incurred)*	0%
iii)		300,000	to September 15, 2010 *(incurred)*	50%
iv)		350,000	to September 15, 2011	0%
v)		650,000	to September 15, 2012	10%
	$	2,000,000		60%

** As consideration for the amendments to the Voigtberg Option Agreement, BCGold issued 100,000 common shares (fair value - $11,000) of the Company to Kaminak on September 24, 2009 and 100,000 common shares (fair value - $9,000) of the Company to Kaminak on September 29,2010. The amendment to the Voigtberg Option Agreement consisted of deferring the minimum exploration expenditures required to be incurred and the unit issuances by 1 year.*

Upon incurring $1 million in exploration expenditures, the Company has 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 then earn an additional 10% interest in the property by completing a bankable feasibility study, for a total of a 70% interest in the property. A 2% NSR in favour of Hunter Exploration Group exists on the property.

e) Gold Hill Property, BC

On September 30, 2010, the Company entered into an option agreement with Guardsmen Resources Inc. (“Guardsmen”), a private company, to earn a 100% interest in Guardsmen’s Gold Hill property. The Company can earn a 100% interest in the Gold Hill property over the next four years by meeting the following contractual commitments:

- Making $100,000 in staged cash payments (*paid - $10,000)*;
- Issuing 100,000 common shares to Guardsmen within 5 days of TSX-V Exchange approval *(issued – fair value of $12,000);* and
- Incurring $500,000 in exploration work on the Gold Hill property as follows:

		Amount	Date
i)	$	100,000	to September 30, 2011
ii)		133,333	to September 30, 2012
iii)		133,333	to September 30, 2013
iv)		133,334	to September 30, 2014
	$	500,000	

Guardsmen will retain a 25% Net Smelter Return (“NSR”) on the Gold Hill property, which can be reduced to 0.5% by the Company at a cost of $1,500,000.

(Stated in Canadian Funds)

7. Share Capital

a) Details are as follows:

	Common Number		Amount
Authorized:			
Unlimited number of common voting shares without par value			
Unlimited number of preferred shares			
Balance – February 28, 2009	31,201,590	$	8,943,245
Shares issued - flow-through private placements *(Note 7b)*	7,837,500		627,000
Shares issued – non flow-through private placements *(Note 7b)*	7,305,000		438,300
Finder's units issued *(Note 7b)*	418,500		28,615
Shares issued for resource properties *(Notes 6a, 6b and 6d)*	700,000		55,000
Fair value of share purchase warrants issued *(Note 7b)*	-		(366,782)
Share and share purchase warrant issuance costs	-		(71,975)
Future income taxes on renouncement of flow-through shares *(Note 7f)*	-		(156,750)
Balance – February 28, 2010	47,462,590		9,496,653
Shares issued - flow-through private placements *(Note 7b)*	15,542,199		1,784,940
Shares issued – non flow-through private placements *(Note 7b)*	16,660,000		1,462,800
Shares issued for resource properties *(Notes 6a, 6b, 6d and 6e)*	2,400,000		292,000
Share purchase warrants exercised *(Note 7c)*	105,014		12,602
Fair value of warrants exercised *(Note 7c)*	-		4,528
Broker's options exercised *(Note 7e)*	430,000		34,400
Fair value of broker's options exercised *(Note 7e)*	-		27,528
Fair value of share purchase warrants issued *(Note 7b)*	-		(1,104,837)
Share and share purchase warrant issuance costs	-		(122,679)
Future income taxes on renouncement of flow-through shares *(Note 7f)*	-		(445,947)
Balance – February 28, 2011	**82,599,803**		**11,441,988**

(Stated in Canadian Funds)

7. Share Capital - *Continued*

b) Private Placements

Private Placement October 2010

On October 28, 2010, the Company closed a non-brokered private placement of 4,700,999 flow-through units at a price of $0.12 per flow-through unit and 6,500,000 non flow-through units at a price of $0.10 per non flow-through unit for aggregate gross proceeds of $1,214,120. Each flow-through unit comprises of one flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share for a period of two years at $0.20 per share during year one and $0.30 per share during year two. Each non flow-through unit comprises of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at $0.15 per share for a period of one year from the date of issuance. Finder's fees of $59,702 were paid in cash.

The warrants attached to the flow-through issuance have been valued at $146,774 based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.42%
Expected stock price volatility	204%
Expected dividend yield	0.00%
Expected life of warrants	2 years

In connection with the flow-through private placement, the Company issued 122,520 broker's warrants, each warrant exercisable to purchase one additional non flow-through common share of the Company for a period of two years from the date of issuance at a price of $0.20 per share in year one and $0.30 per share in year two. These warrants have been valued at $10,876 based upon the Black-Scholes Method using the same assumptions noted above. The Company has recorded the fair value of these broker's warrants as share issuance costs.

The warrants attached to the non flow-through issuance have been valued at $108,458 ($123,360 net of warrant issuance costs of $14,902) based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.42%
Expected stock price volatility	135%
Expected dividend yield	0.00%
Expected life of warrants	1 year

In connection with the non flow-through private placement, the Company issued 480,000 broker's warrants, each warrant exercisable to purchase one additional non flow-through common share of the Company for a period of one year from the date of issuance at a price of $0.15 per share. These warrants have been valued at $24,172 based upon the Black-Scholes Method using the same assumptions noted above. The Company has recorded the fair value of these broker's warrants as share issuance costs.

(Stated in Canadian Funds)

7. Share Capital - *Continued*

b) Private Placements - *Continued*

Private Placement August 2010

On August 19, 2010, the Company closed a non-brokered private placement of 6,835,000 flow-through units at a price of $0.12 per flow-through unit for aggregate gross proceeds of $820,200. Each flow-through unit comprises of one flow-through common share and one-half of one non-flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share for a period of two years from the date of issuance at a price of $0.20 per share in year one and $0.30 per share in year two. Finder's fees of $43,200 were paid in cash.

The warrants attached to this issuance have been valued at $187,064 ($198,547 net of warrant issuance costs of $11,483) based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.55%
Expected stock price volatility	208%
Expected dividend yield	0.00%
Expected life of warrants	2 years

In connection with the above noted private placement, the Company issued 480,000 broker's warrants, each warrant exercisable to purchase one additional non flow-through common share of the Company for a period of two years from the date of issuance at a price of $0.20 per share in year one and $0.30 per share in year two. These warrants have been valued at $36,934 based upon the Black-Scholes Method using the same assumptions noted above. The Company has recorded the fair value of these broker's warrants as share issuance costs.

Private Placement April 2010

On April 30, 2010, the Company closed a non-brokered private placement of 4,006,200 flow-through units at a price of $0.10 per flow-through unit and 10,160,000 non flow-through units at a price of $0.08 per non flow-through unit for aggregate gross proceeds of $1,213,420. Each flow-through unit comprises of one flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at $0.20 per share for a period of 18 months from the date of issuance. Each non flow-through unit comprises of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at $0.15 per share for a period of 18 months from the date of issuance. Finder's fees of $50,630 were paid in cash.

(Stated in Canadian Funds)

7. Share Capital - *Continued*

b) Private Placements - *Continued*

Private Placement April 2010 - Continued

The warrants attached to this issuance have been valued at $462,194 ($485,873 net of warrant issuance costs of $23,679) based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.63%
Expected stock price volatility	225%
Expected dividend yield	0.00%
Expected life of warrants	1.5 years

In connection with the above noted private placement, the Company issued 560,000 broker's warrants, each warrant exercisable to purchase one additional non flow-through common share of the Company. Of these broker's warrants, 400,000 of them are exercisable at a price of $0.15 for a period of 18 months from the date of issuance and the remaining 160,000 warrants are exercisable at a price of $0.20 for a period of 18 months from the date of issuance. These warrants have been valued at $64,411 based upon the Black-Scholes Method using the same assumptions noted above. The Company has recorded the fair value of these broker's warrants as share issuance costs.

Private Placement August 2009

On August 7, 2009, the Company closed a non-brokered private placement of 2,462,500 flow-through units at a price of $0.08 per unit and 7,305,000 non flow-through units at a price of $0.06 per unit for aggregate gross proceeds of $635,300. Each flow-through unit comprises of one flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.15 per share for a period of one year from the date of issuance. Each non flow-through unit comprises of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.12 per share for a period of one year from the date of issuance.

In connection with this private placement the Company issued 14,000 finder's units at a price of $0.08 per unit and 243,250 finder's units at a price of $0.06 per unit. The Company has recorded the fair value of these finder's units as share issuance costs.

The 14,000 finder's units comprise of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.15 per share for a period of one year from the date of issuance. The 243,250 finder's units comprise of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.12 per share for a period of one year from the date of issuance.

(Stated in Canadian Funds)

7. Share Capital - *Continued*

b) Private Placements - *Continued*

Private Placement August 2009 - *Continued*

The warrants attached to these issuances have been valued at $226,899 ($242,595 net of warrant issuance costs of $15,696) based upon the average of the residual method and the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.33%
Expected stock price volatility	256%
Expected dividend yield	0.00%
Expected life of warrants	1 year

Additional finder's fees of $10,255 were also paid in cash.

Private Placement July 2009

On July 27, 2009, the Company closed a non-brokered private placement of 5,375,000 flow-through units at a price of $0.08 per unit for gross proceeds of $430,000. Each unit comprises of one flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.15 per share for a period of one year from the date of issuance. In connection with this private placement, the Company issued 161,250 finder's units at a price of $0.08 per unit. The Company has recorded the fair value of these finder's units as share issuance costs.

Each finder's unit comprises of one non flow-through common share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable to purchase one additional non flow-through common share at a price of $0.15 per share for a period of one year from the date of issuance.

The warrants attached to these issuances have been valued at $97,985 ($118,574 net of warrant issuance costs of $20,589) based upon the average of the residual method and the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.33%
Expected stock price volatility	255%
Expected dividend yield	0.00%
Expected life of warrants	1 year

Additional finder's fees of $21,500 were also paid in cash.

(Stated in Canadian Funds)

7. Share Capital - *Continued*

c) Share Purchase and Agents Warrants

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
February 28, 2009	5,890,422	$0.81
Issued	7,880,500	$0.14
Expired without exercise	(4,965,422)	$0.90
Balance February 28, 2010	8,805,500	$0.16
Issued	17,918,619	$0.21
Exercised	(105,014)	$0.12
Expired without exercise	(8,600,486)	$0.17
Balance February 28, 2011	**18,018,619**	**$0.21**

At February 28, 2011, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
September 14, 2011	$0.11	50,000	$ 1,924
October 15, 2011	$0.50	100,000	5,613
October 28, 2011	$0.15	3,730,000	132,630
October 30, 2011	$0.15	5,480,000	371,448
October 30, 2011	$0.20	2,163,100	155,157
July 5, 2012	$0.50	50,000	4,858
August 19, 2012	$0.30	3,897,500	223,998
October 28,2012	$0.30	2,473,019	157,650
January 16, 2013	$0.14	75,000	7,108
Weighted Average	**$0.21**	**18,018,619**	**$ 1,060,386**

d) Stock Options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for options under the Plan, provided that at the time of the grant, the total number of shares so reserved for issuance by the Board shall not exceed the greater of 10% of the issued and outstanding listed shares (on a non-diluted basis) as at the date of grant. No options shall be granted, without regulatory approval, entitling any single individual to purchase in excess of 5% of the then outstanding shares in the Company in any 12 month period and no more than 2% of the optioned shares may be issued to any one individual in any 12 month period. If the option rights granted under the plan shall expire or terminate for any reason without having been exercised, such optioned shares may be made available for other options to be granted under the plan. The shares so reserved by the Board under the Plan shall be authorized but unissued shares.

The options are non-transferable and will expire, if not exercised, immediately upon dismissal by the Company with cause or 90 days following the date the optionee otherwise ceases to be a director, officer, manager, consultant or employee of the corporation for reasons other than death. In the case of death, the expiry becomes one year after the death of an optionee. Pursuant to the policies of the TSX Venture Exchange ("TSXV"), options granted pursuant to the Plan in excess of 10% of the issued and outstanding common shares at the time of the grant must be subject to vesting.

(Stated in Canadian Funds)

7. Share Capital – *Continued*

d) Stock Options - *Continued*

The associated stock-based compensation expense for options granted during the current and prior period are as follows:

Grant Date	# of Options Granted	Total Expense	Amount of expense recognized or recognizable Fiscal 2011	Fiscal 2010
January 11, 2010	1,745,000	$ 116,576	$ 116,576	$ -
January 11, 2011	1,960,000	31,340	31,340	-
TOTAL	**3,705,000**	**$ 589,435**	**$ 147,916**	**$ -**
Weighted average fair value of options vested during the year			**$ 0.04**	**$ -**

Fiscal year ended February 28, 2011 - Grants

On January 11, 2011, the Company granted 1,960,000 incentive stock options to certain directors, officers, employees and consultants. The options are exercisable at $0.15 per share and expire on January 11, 2016. These options are subject to vesting criteria such that 25% shall vest every three months from the date of grant. The corresponding stock-based compensation expense amounted to $250,727, which was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	2.23%
Expected stock price volatility	173%
Expected dividend yield	0.00%
Expected life of options	5 years

Of the $250,727 in stock-based compensation expense, $31,340 has been recognized during the fiscal year ended February 28, 2011 and $219,388 will be recognized during the fiscal year ended February 28, 2012.

Fiscal year ended February 28, 2010 - Grants

On January 11, 2010, the Company granted 1,745,000 incentive stock options to certain directors, officers, employees and consultants. The options are exercisable at $0.10 per share and expire on January 11, 2015. These options are subject to vesting criteria such that 25% shall vest every three months from the date of grant. The corresponding stock-based compensation expense amounted to $116,576, which was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	2.48%
Expected stock price volatility	183%
Expected dividend yield	0.00%
Expected life of options	5 years

The entire amount of $116,576 in stock-based compensation expense has been recognized during the fiscal year ended February 28, 2011.

(Stated in Canadian Funds)

7. Share Capital - *Continued*

d) Stock Options - *Continued*

At February 28, 2011, the following options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining in Years
June 5, 2011	$0.10	310,000	0.27
September 15, 2011	$0.45	190,000	0.55
June 19, 2012	$0.70	100,000	1.31
August 22, 2012	$0.70	556,000	1.48
October 24, 2013	$0.20	815,000	2.65
January 11, 2015	$0.10	1,645,000	3.87
January 11, 2016	$0.15	1,960,000	4.87
	$0.21	**5,576,000**	**3.45**

e) Broker's Options

In connection with the private placement *(Note 7b)* which was completed on August 7, 2009, the Company issued 430,000 broker's options (fair value - $27,528) and has recorded the fair value of these options as share issuance costs. Each broker's option consists of one non flow-through common share exercisable at a price of $0.08 per share and one-half of one non-flow through common share purchase warrant, each whole warrant being exercisable into one non flow-through common share at a price of $0.15 per share. The broker's options are exercisable for a period of one year from the date of issuance. The broker's options have been valued based upon the Black-Scholes Option Pricing Model using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.33%
Expected stock price volatility	255%
Expected dividend yield	0.00%
Expected life of options	1 year

On August 6, 2010, the 430,000 broker's options noted above were exercised for gross proceeds of $34,400 *(Note 7a).* The fair value of $27,528 in connection with these options has been transferred from contributed surplus to share capital *(Note 7a)*. The 215,000 warrants tied to these options expired without exercise on August 7, 2010.

f) Flow-Through Shares

Fiscal Year Ended February 28, 2011

During the year ended February 28, 2011, the Company issued 15,542,199 flow-through common shares for total proceeds of $1,784,940. These funds must be used for qualifying exploration expenditures and have been renounced to the flow-through shareholders effective December 31, 2010. The future income tax liability is estimated to be $445,947 resulting from the renunciation of these qualifying expenditures and has been recorded in the 2011 fiscal year as the renunciation tax forms were filed on February 15, 2011. As the Company had previously unrecognized tax assets available, the future income tax liability as at February 28, 2011 has been eliminated *(Note 11b)* resulting in a full recovery of $445,947 *(Note 11a)*. The unspent balance of this flow-through issuance as at February 28, 2011 was $586,709 which must be spent by December 31, 2011.

(Stated in Canadian Funds)

7. Share Capital - *Continued*

f) Flow-Through Shares – *Continued*

Fiscal Year Ended February 28, 2010

During the year ended February 28, 2010, the Company issued 7,837,500 flow-through common shares for total proceeds of $627,000. These funds must be used for qualifying exploration expenditures and have been renounced to the flow-through shareholders effective December 31, 2009. The future income tax liability was estimated to be $156,750 resulting from the renunciation of these qualifying expenditures and has been recorded in the 2010 fiscal year as the renunciation tax forms were filed on February 5, 2010. As the Company had previously unrecognized tax assets available, the future income tax liability as at February 28, 2010 has been eliminated *(Note 11b)* resulting in a full recovery of $156,750 *(Note 11a)*. The unspent balance of this flow-through issuance as at February 28, 2011 was $nil.

g) Escrow Shares

As at February 28, 2011, there are no shares held in escrow.

8. Contributed Surplus

Contributed surplus relates to the recognition of the estimated fair value of stock options vested, the fair value of broker's options issued and expired warrants as follows:

Balance – February 28, 2009	$	730,976
Fair value of share purchase warrants expired – March 14, 2009		564,413
Fair value of share purchase warrants expired – April 2, 2009		76,663
Fair value of share purchase warrants expired – September 15, 2009		4,736
Fair value of share purchase warrants expired – October 15, 2009		29,968
Fair value of share purchase warrants expired – November 1, 2009		79,763
Fair value of share purchase warrants expired – December 28, 2009		140,258
Fair value of broker's options issued		27,528
Balance – February 28, 2010		1,654,305
Fair value of stock options vested – April 12, 2010		29,144
Fair value of stock options vested – July 11, 2010		29,144
Fair value of share purchase warrants expired – July 27, 2010		97,985
Fair value of share purchase warrants expired – August 7, 2010		222,371
Fair value of broker's options exercised – August 12, 2010		(27,528)
Fair value of share purchase warrants expired – October 1, 2010		53,727
Fair value of share purchase warrants expired – October 15, 2010		4,710
Fair value of stock options vested – October 10, 2010		29,144
Fair value of stock options vested – January 11, 2011		29,144
Fair value of stock options vested – January 11, 2011		31,340
Balance – February 28, 2011	**$**	**2,153,486**

9. Capital Management

In the management of capital, the Company considers shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support exploration and development of mineral properties. The Board of Directors has not established quantitative capital structure criteria management, but will review on a regular basis the capital structure of the Company to ensure its appropriateness to the stage of development of the business.

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk and loss of principal.

- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. When applicable, the Company's investment policy is to hold cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives.

There were no changes in the Company's approach to capital management during the year ended February 28, 2011 compared to the year ended February 28, 2010. The Company is not subject to externally imposed capital requirements.

(Stated in Canadian Funds)

10. Financial Instruments

Fair Value

The Company designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. Other receivables have been designated as loans and receivables, which are initially recorded at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. Marketable securities have been designated as available-for-sale, which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As of February 28, 2011, the Balance Sheet carrying amounts of these financial instruments closely approximate their fair value, and the Company held no derivative instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair values are determined directly by reference to published price quotations in an active market, when available, or by using a valuation technique that uses inputs observed from the markets.

The following provides a comparison of carrying value amounts of each classification of financial instruments as at February 28, 2011 and 2010:

		February 28, 2011		February 28, 2010
Held-for-trading	**$**	**1,704,320**	$	384,435
Loans and receivables	**$**	**48,462**	$	32,996
Available-for-sale	**$**	**115,000**	$	62,500
Other financial liabilities	**$**	**93,069**	$	165,934

During the fiscal year ended February 28, 2010, the Company adopted the fair value hierarchy that classifies financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate fair value. The financial instruments from the above schedule, which are covered by the new hierarchy disclosures, are cash and cash equivalents, short-term investments and marketable securities. Cash and cash equivalents and short-term investments have been classified as Level 2 – direct or indirect observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates. Marketable securities have been classified as Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk and liquidity risk.

<u>Credit Risk</u>

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies, with original maturities of less than 90 days. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

(Stated in Canadian Funds)

10. Financial Instruments – *Continued*

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As of February 28, 2011, the Company had a cash balance of $1,419,320 (February 28, 2010 - $204,935) and short-term investments of $285,000 (February 28, 2010 - $179,500) to settle current liabilities of $93,069 (February 28, 2010 - $165,934). The Company also had flow-through commitments of $586,709 (February 28, 2010 - $31,128).

11. Income Taxes

a) The income tax provision for the year differs from the amount obtained by applying the statutory Canadian federal and provincial income tax rates as follows:

		For the Year Ended February 28, 2011		For the Year Ended February 28, 2010
Loss before income taxes	**$**	**(2,516,416)**	$	(1,379,561)
Statutory Canadian federal and provincial tax rates		**26.50%**		28.50%
Expected tax recovery		**(666,850)**		(393,175)
Adjustments:				
Stock-based compensation		**39,198**		-
Other		**139,806**		105,585
Statutory tax rate difference		**(2,674)**		(30,129)
Change in valuation allowance		**44,573**		160,969
Income tax recovery	**$**	**(445,947)**	$	(156,750)

(Stated in Canadian Funds)

11. Income Taxes – *Continued*

b) The components of the future income tax asset (liability) balances are as follows:

		February 28, 2011		February 28, 2010
Future income tax asset (liability):				
Non-capital loss carry-forwards	**$**	**902,243**	$	718,183
Share issuance costs		**76,980**		69,706
Other		**31,156**		28,791
Resource property costs - (tax basis in excess of book value)		**605,302**		754,428
Valuation allowance		**(1,615,681)**		(1,571,108)
Future income tax asset (liability)	**$**	**-**	$	-

The effective income tax rate is the rate that is estimated to be applicable when timing differences reverse. As at February 28, 2011 the future enacted rate in is estimated to be 25% (2010 – 25%).

c) The Company has non-capital losses which may be applied to reduce future year's taxable income. As at February 28, 2011, these non-capital losses amounted to $3,608,972 (February 28, 2010 – $2,872,732). Of these non-capital losses, $14,160 will expire in 2026, $434,349 will expire in 2027, $1,020,132 will expire in 2028, $748,401 will expire in 2029, $655,690 will expire in 2030 and the remaining $736,240 will expire in 2031.

12. Subsequent Events

a) Subsequent to the year end, the Company received notice from Goldbard that the Pepper property letter option agreement previously signed with Goldbard has been terminated and the property has reverted 100% to BCGold.

b) Subsequent to the year end, the Company received notice from Kestrel that the Toe property letter option agreement previously signed with Kestrel has been terminated and the property has reverted 100% to BCGold.