BCGOLD CORP.

(An Exploration Stage Company)

Annual Financial Statements

For the years ended February 29, 2012 and February 28, 2011

(Stated in Canadian Funds)

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of BCGold Corp.

We have audited the accompanying financial statements of BCGold Corp. which comprise the statements of financial position at February 29, 2012, February 28, 2011 and March 1, 2010 and the statements of loss and comprehensive loss, cash flows and changes in equity for the years ended February 29, 2012 and February 28, 2011, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's file 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. as at February 29, 2012, February 28, 2011 and March 1, 2010 and its financial performance and its cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 11f in the financial statements which indicates that the Company has limited working capital available for ongoing corporate and administrative operations, 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 ACCOUNTANTS
Vancouver, BC
June 21, 2012

BCGold Corp.
(An Exploration Stage Company)
Statements of Financial Position
(Stated in Canadian Funds)

ASSETS		As at **February 29, 2012**		*(Note 5)* As at February 28, 2011		*(Note 5)* As at March 1, 2010
Current assets:						
Cash and cash equivalents *(Note 11f)*	**$**	**959,998**	$	1,419,320	$	204,935
Short-term investments *(Note 6)*		**34,500**		234,500		134,500
Marketable securities *(Note 7)*		**99,000**		115,000		62,500
Sales tax and other receivables		**33,980**		48,462		32,996
Prepaid expenses		**12,318**		14,163		11,075
		1,139,796		1,831,445		446,006
Non-current assets:						
Deposits		**64,818**		20,818		-
Property and equipment *(Note 8)*		**37,086**		31,324		40,782
Reclamation bonds *(Note 9)*		**83,800**		50,500		45,000
Exploration and evaluation assets *(Note 10)*		**1,736,924**		1,439,924		1,821,589
TOTAL ASSETS	**$**	**3,062,424**	$	3,374,011	$	2,353,377
LIABILITIES AND EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities *(Note 12a)*	**$**	**64,661**	$	93,069	$	165,934
TOTAL LIABILITIES		**64,661**		93,069		165,934
Equity:						
Share capital *(Note 11)*		**13,615,169**		12,043,029		9,788,447
Share-based payments reserve		**3,737,429**		3,243,346		2,076,857
Accumulated other comprehensive loss		**(184,250)**		(168,250)		(216,250)
Deficit		**(14,170,585)**		(11,837,183)		(9,461,611)
TOTAL EQUITY		**2,997,763**		3,280,942		2,187,443
TOTAL LIABILITIES AND EQUITY	**$**	**3,062,424**	$	3,374,011	$	2,353,377

Nature of Operations and Going Concern *(Note 1)*

Commitments *(Notes 16 and 11f)*

Subsequent Events *(Note 18)*

Approved by the Board of Directors:

"Brian Fowler", Director

"Guy Le Bel", Director

- See Accompanying Notes to the Annual Financial Statements -

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

		For the year ended February 29, 2012		*(Note 5)* For the year ended February 28, 2011
Expenses:				
Corporate listing and filing fees	**$**	**30,398**	$	32,420
Depreciation		**16,793**		9,458
Exploration and evaluation expenses		**1,166,232**		1,187,283
Investor relations		**45,247**		34,563
Office expenses		**84,863**		69,207
Professional fees		**38,450**		71,873
Rent		**41,781**		47,707
Share-based compensation *(Note 11d)*		**346,043**		143,772
Travel		**35,744**		25,785
Wages and consulting fees		**541,226**		447,818
Loss from operations		**(2,346,777)**		(2,069,886)
Finance (expenses) income:				
Interest and other income		**3,809**		32,518
Interest expense		**(6,284)**		(869)
Total finance (expenses) income		**(2,475)**		31,649
Non-operating income (expenses):				
Gain on sale of marketable securities		**-**		105,130
Write-down of exploration and evaluation assets		**-**		(579,165)
Total non-operating income (expenses)		**-**		(474,035)
Loss before income taxes		**(2,349,252)**		(2,512,272)
Deferred income tax recovery		**15,850**		136,700
Net loss for the year		**(2,333,402)**		(2,375,572)
Unrealized (loss) gain on marketable securities		**(16,000)**		48,000
Comprehensive loss for the year	**$**	**(2,349,402)**	$	(2,327,572)
Weighted average number of shares outstanding		**89,690,080**		67,745,500
Basic and diluted loss per share	**$**	**(0.03)**	$	(0.04)

- See Accompanying Notes to the Annual Financial Statements -

BCGold Corp.
(An Exploration Stage Company)
Statements of Cash Flows
(Stated in Canadian Funds)

		For the year ended February 29, 2012		For the year ended February 28, 2011
Operating Activities:				
Net loss for the year	**$**	**(2,333,402)**	$	(2,375,572)
Adjustment for items which do not involve cash:				
Deferred income tax recovery		**(15,850)**		(136,700)
Depreciation		**16,793**		9,458
Gain on sale of marketable securities		**-**		(105,130)
Share-based compensation		**346,043**		143,772
Write-down of exploration and evaluation assets		**-**		579,165
		(1,986,416)		(1,885,007)
Changes in non-cash working capital components:				
Sales tax and other receivables		**14,482**		(15,466)
Prepaid expenses		**1,845**		(23,906)
Accounts payable and accrued liabilities		**(28,408)**		(72,866)
Cash used in operating activities		**(1,998,497)**		(1,997,245)
Investing Activities:				
Deposits		**(44,000)**		-
Reclamation bonds		**(33,300)**		-
Short-term investments		**200,000**		(105,500)
Proceeds from sale of marketable securities		**-**		120,130
Purchase of property and equipment		**(22,555)**		-
Exploration and evaluation assets		**(82,000)**		75,000
Cash provided by investing activities		**18,145**		89,630
Financing Activities:				
Issuance of common shares and warrants, net		**1,521,030**		3,122,000
Cash provided by financing activities		**1,521,030**		3,122,000
Net (decrease) increase in cash and cash equivalents		**(459,322)**		1,214,385
Cash and cash equivalents - beginning of the year		**1,419,320**		204,935
Cash and cash equivalents - end of the year	**$**	**959,998**	$	1,419,320

Cash and cash equivalents consists of the following:				
Cash	**$**	**959,998**	$	1,419,320
Guaranteed investment certificates		**-**		-
Total cash and cash equivalents	**$**	**959,998**	$	1,419,320

Supplemental Schedule of Non-Cash Investing and Financing Activities				
Fair value of shares received – property option payment / marketable securities	**$**	**-**	$	19,500
Fair value of warrants issued for exploration and evaluation assets	**$**	**5,125**	$	13,890
Shares issued for exploration and evaluation assets	**$**	**215,000**	$	292,000

- See Accompanying Notes to the Annual Financial Statements

BCGold Corp.
(An Exploration Stage Company)
Statements of Changes in Equity
(Stated in Canadian Funds)

	SHARE CAPITAL			SHARE-BASED PAYMENTS		ACCUMULATED OTHER COMPREHENSIVE				TOTAL
	SHARES		AMOUNT	RESERVE		LOSS		DEFICIT		EQUITY
Balance – March 1, 2010	47,462,590	$	9,788,447	$ 2,076,857	$	(216,250)	$	(9,461,611)	$	2,187,443
Flow-through shares issued	15,542,199		1,648,240	-		-		-		1,648,240
Non flow-through shares issued	16,660,000		1,462,800	-		-		-		1,462,800
Fair value of warrants issued	-		(968,445)	968,445		-		-		-
Fair value of broker's warrants	-		(136,393)	136,393		-		-		-
Share issuance costs	-		(172,744)	-		-		-		(172,744)
Warrant issuance costs	-		50,065	(50,065)		-		-		-
Broker's options exercised	430,000		34,400	-		-		-		34,400
Fair value of broker's options exercised	-		27,528	(27,528)		-		-		-
Exercise of warrants	105,014		12,603	-		-		-		12,603
Fair value of warrants exercised	-		4,528	(4,528)		-		-		-
Shares issued for exploration and evaluation assets	2,400,000		292,000	-		-		-		292,000
Share-based compensation	-		-	143,772		-		-		143,772
Unrealized gain on marketable securities	-		-	-		48,000		-		48,000
Net loss for the year	-		-	-		-		(2,375,572)		(2,375,572)
Balance – February 28, 2011	**82,599,803**	**$**	**12,043,029**	**$ 3,243,346**	**$**	**(168,250)**	**$**	**(11,837,183)**	**$**	**3,280,942**
Balance – March 1, 2011	82,599,803	$	12,043,029	$ 3,243,346	$	(168,250)	$	(11,837,183)	$	3,280,942
Flow-through shares issued	10,687,663		1,266,670	-		-		-		1,266,670
Non flow-through shares issued	3,160,000		316,000	-		-		-		316,000
Fair value of warrants issued	-		(140,387)	140,387		-		-		-
Fair value of broker's options	-		(15,033)	15,033		-		-		-
Fair value of broker's warrants	-		(595)	595		-		-		-
Share issuance costs	-		(77,490)	-		-		-		(77,490)
Warrant issuance costs	-		7,975	(7,975)		-		-		-
Shares issued for exploration and evaluation assets	2,255,263		215,000	-		-		-		215,000
Share-based compensation	-		-	346,043		-		-		346,043
Unrealized loss on marketable securities	-		-	-		(16,000)		-		(16,000)
Net loss for the year	-		-	-		-		(2,333,402)		(2,333,402)
Balance – February 29, 2012	**98,702,729**	**$**	**13,615,169**	**$ 3,737,429**	**$**	**(184,250)**	**$**	**(14,170,585)**	**$**	**2,997,763**

See accompanying Notes to the Annual Financial Statements -

1. Nature of Operations and Going Concern

BCGold Corp. (the "Company" or "BCGold") is an exploration stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties. Currently, the Company's principal mineral properties are the Engineer Mine Property, located near Atlin, B.C. and the Minto/Carmacks Copper-Gold Properties located in the Yukon.

BCGold Corp. is a publicly listed company incorporated under the Business Corporations Act of British Columbia on February 10, 2006 as 0748496 B.C. Ltd. On March 1, 2006, the Company changed its name to BCGold Corp. The Company is listed on the TSX Venture Exchange ("TSX.V") under the symbol "BCG". The head office, principal address and records office of the Company are located at Suite 520 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered address is 595 Howe Street, 10th Floor, Vancouver, British Columbia, Canada, V6C 2T5.

While these annual 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 $14,170,585 at February 29, 2012. 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 the Company's performance, 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 annual financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Basis of Presentation, Adoption of International Financial Reporting Standards ("IFRS") and Statement of Compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS as issued by the International Accounting Standards Board ("IASB"), which requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual financial statements prepared in accordance with IFRS as issued by the IASB. In these annual financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These annual financial statements have been prepared in accordance with IFRS. Subject to certain transition elections disclosed in Note 5, the Company has consistently applied the same accounting policies used in the preparation of its opening IFRS statement of financial position at March 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's annual financial statements for the year ended February 28, 2011 prepared under Canadian GAAP.

These annual financial statements were reviewed by the Audit Committee and were approved and authorized for issue by the Board of Directors on June 20, 2012.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these annual financial statements are as follows:

a) Use of Judgments and Estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of estimates and assumptions relate to the review of carrying values and determination of impairment charges of non-current assets; valuation of share-based payments; recoverability of deferred income tax assets; provisions for closure and reclamation and determination of carrying values of derivative financial liabilities among others. Actual results could differ from those estimates. The effect on the financial statements of such changes in estimates in future periods could be material. Please see Note 4 for further details.

b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

c) Short-term Investments

The Company classifies all its investments with maturities greater than three months to one year as short-term investments.

d) Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions 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 depreciated against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

Title to mineral 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 history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge titles to all of its properties are in good standing.

e) Restoration Provision

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related

3. Summary of Significant Accounting Policies - *Continued*

e) Restoration Provision - *Continued*

property, plant and equipment and amortized on a systematic basis over the expected useful life of the asset. As at February 29, 2012, the calculation of any possible asset retirement obligation is not considered determinable.

f) Impairment of Non-Current Assets

Non-current assets are evaluated at each reporting period by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

g) 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 equity 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.

3. Summary of Significant Accounting Policies - *Continued*

h) Marketable Securities

Marketable securities consisting of common shares of public companies 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).

i) Property and Equipment

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

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

j) Income Taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

l) Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral properties is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

3. Summary of Significant Accounting Policies - *Continued*

m) Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

n) Flow-Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from the issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A liability is recognized in other liabilities for this difference. The liability is reduced and the reduction of premium liability is recorded in deferred tax recovery as eligible expenditures are incurred.

o) 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.

p) Financial Instruments

(i) Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

<u>Financial Assets at Fair Value Through Profit or Loss</u>

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. Short-term investments are included in this category of financial assets.

<u>Loans and Receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Cash and cash equivalents, other receivables and reclamation bonds have been classified under this category.

3. Summary of Significant Accounting Policies - *Continued*

p) Financial Instruments - *Continued*

(i) Financial Assets - *Continued*

Available-For-Sale

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income (loss) and classified as a component of equity. When the assets are sold or an impairment write-down is required, the accumulated fair value adjustments recognized in equity are included in the statement of loss. AFS assets include marketable securities which consist of investments in equities of other entities.

(ii) Financial Liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

Borrowings and Other Financial Liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities have been classified under this category.

Derivative Financial Liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. There are no financial liabilities classified under this category.

q) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if there is objective evidence of an impairment loss includes:

- significant financial difficulty of the obligor;
- delinquencies in interest or principal payments; and
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

3. Summary of Significant Accounting Policies - *Continued*

q) Impairment of Financial Assets - *Continued*

If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt instruments are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

r) Accounting Standards and Amendments Issued But Not Yet Adopted

Financial Instruments

In November 2009, the IASB issued IFRS 9, Financial Instruments, which addresses the classification and measurement of financial assets as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. Requirements for financial liabilities were added in October 2010. IFRS 9 must be applied starting January 1, 2015, with early adoption permitted. The Company has not early adopted IFRS 9 and is currently assessing the expected impact of this standard on its financial statements.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company has not early adopted IFRS 13 and is currently assessing the expected impact of this standard on its financial statements.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of these financial statements.

Impairment of Exploration and Evaluation Assets

Impairment of exploration and evaluation assets occurs when the assets are deemed to have circumstance indicating likelihood that carrying amounts exceed recoverable amounts. As the Company has no cash generating units, a recoverable amount can only be calculated from estimated sales value less costs of sales.

Restoration Provision

Provisions for reclamation and closure represent the Company's estimate of the present value of the estimated future cost of reclamation. The provision is highly sensitive to estimation uncertainty and it involves multiple estimates including the current estimated cost to rehabilitate sites, future inflation rates, factors applied to account for future estimation error, estimates of future risk free rates and estimates of the time until reclamation is implemented. Inflation rates have been derived from Bank of Canada targets. Risk free interest rates are derived from long-term Government of Canada bond rates. Time to reclamation implementation is based on the Company's estimate of potential life of mine using internal or independent reports.

Share-Based Payments

Share-based compensation calculations are based on estimates of several variables including future exercise dates, future interest rates and future volatility of the Company's share price. See Note 11d for a discussion of the factors used in the current year.

Deferred Income Taxes

Deferred income tax asset carrying amounts depend on estimates of future taxable income and the likelihood of the reversal of timing differences. Where reversals are expected, estimates of future tax rates will be used in the calculation of deferred tax asset carrying amounts. Potential tax assets of $2,065,482 (Note 17) were deemed not to be recoverable at the current year end.

5. First-time Adoption of IFRS

The effect of the Company's transition to IFRS, described in Note 2, is summarized in this note as follows:

a) Mandatory Exemptions and Transition Elections

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the Company's transition date of March 1, 2010 (the "Transition Date"), with the application of certain mandatory exemptions and also allows for certain elective exemptions on transition to IFRS. The mandatory exemptions applicable to and the transition elections the Company has chosen, respectively, are as follows:

(i) Under IFRS 1, there are four mandatory exemptions from full retrospective application of IFRS. Of these, the only applicable election relates to estimates. An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as at March 1, 2010 are consistent with its previous estimates under Canadian GAAP for the same date.

(ii) Share-based payments – IFRS 1 provides the option to not apply IFRS 2, Share-based Payments, to equity instruments granted after November 7, 2002, that had vested before the Transition Date. The Company has elected to take the exemption and, as a result, was only required to recalculate the impact on any share-based payments that had not vested at the Transition Date.

b) Reconciliation of Previously Reported Financial Statements

Reconciliations of the IFRS adjustments on transition are included in these following Statements of Financial Position and Statement of Loss and Comprehensive Loss for the dates noted below.

- Transitional Statement of Financial Position Reconciliation – March 1, 2010
- Statement of Financial Position Reconciliation – February 28, 2011
- Statement of Loss and Comprehensive Loss Reconciliation – for the year ended February 28, 2011

The adoption of IFRS had no impact on the net cash flows of the Company. The transition adjustments made to the Statements of Financial Position and Statement of Loss and Comprehensive Loss have resulted in reclassification of various amounts on the Statement of Cash Flows; however, as there have been no changes to the net cash flows, no reconciliations have been prepared.

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(Stated in Canadian Funds)

5. First-time Adoption of IFRS *– Continued*

b) Reconciliation of Previously Reported Financial Statements *– Continued*

The March 1, 2010 Canadian GAAP Statement of Financial Position has been reconciled to IFRS as follows:

		As at March 1, 2010		
ASSETS	**Note**	**Canadian GAAP**	**Effect of Transition to IFRS**	**IFRS**
Current assets:				
Cash and cash equivalents		$ 204,935	$ -	$ 204,935
Short-term investments		134,500	-	134,500
Marketable securities		62,500	-	62,500
Sales tax and other receivables		32,996	-	32,996
Prepaid expenses		11,075	-	11,075
		446,006	-	446,006
Non-current assets:				
Deposits		-	-	-
Property and equipment		40,782	-	40,782
Reclamation bonds		45,000	-	45,000
Resource property costs / Exploration and evaluation assets		1,821,589	-	1,821,589
TOTAL ASSETS		$ 2,353,377	$ -	$ 2,353,377
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities		$ 165,934	$ -	$ 165,934
TOTAL LIABILITIES		165,934	-	165,934
Equity:				
Share capital	4(b)(i)	9,496,653	291,794	9,788,447
Share-based payments reserve *	4(b)(ii)	2,043,239	33,618	2,076,857
Accumulated other comprehensive loss		(216,250)	-	(216,250)
Deficit	4(b)(i) - (ii)	(9,136,199)	(325,412)	(9,461,611)
TOTAL EQUITY		2,187,443	-	2,187,443
TOTAL LIABILITIES AND EQUITY		$ 2,353,377	$ -	$ 2,353,377

** Under Canadian GAAP, share-based payments reserve consisted of contributed surplus of $1,654,305 and share purchase warrants of $388,934.*

(Stated in Canadian Funds)

5. First-time Adoption of IFRS *– Continued*

b) Reconciliation of Previously Reported Financial Statements *– Continued*

The February 28, 2011 Canadian GAAP Statement of Financial Position has been reconciled to IFRS as follows:

		As at February 28, 2011		
ASSETS	**Note**	**Canadian GAAP**	**Effect of Transition to IFRS**	**IFRS**
Current assets:				
Cash and cash equivalents		$ 1,419,320	$ -	$ 1,419,320
Short-term investments		234,500	-	234,500
Marketable securities		115,000	-	115,000
Sales tax and other receivables		48,462	-	48,462
Prepaid expenses		14,163	-	14,163
		1,831,445	-	1,831,445
Non-current assets:				
Deposits		20,818	-	20,818
Property and equipment		31,324	-	31,324
Reclamation bonds		50,500	-	50,500
Resource property costs / Exploration and evaluation assets		1,439,924	-	1,439,924
TOTAL ASSETS		$ 3,374,011	$ -	$ 3,374,011
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accrued liabilities		$ 93,069	$ -	$ 93,069
TOTAL LIABILITIES		93,069	-	93,069
Equity:				
Share capital	4(b)(i)	11,441,988	601,041	12,043,029
Share-based payments reserve *	4(b)(ii)	3,213,872	29,474	3,243,346
Accumulated other comprehensive loss		(168,250)	-	(168,250)
Deficit	4(b)(i) - (ii)	(11,206,668)	(630,515)	(11,837,183)
TOTAL EQUITY		3,280,942	-	3,280,942
TOTAL LIABILITIES AND EQUITY		$ 3,374,011	$ -	$ 3,374,011

** Under Canadian GAAP, share-based payments reserve consisted of contributed surplus of $2,153,486 and share purchase warrants of $1,060,386.*

(Stated in Canadian Funds)

5. First-time Adoption of IFRS *– Continued*

b) Reconciliation of Previously Reported Financial Statements *– Continued*

The Canadian GAAP Statement of Loss and Comprehensive Loss for the year ended February 28, 2011 has been reconciled to IFRS as follows:

	Note	Year Ended February 28, 2011 Canadian GAAP	Effect of Transition to IFRS	IFRS
Expenses:				
Corporate listing and filing fees		$ 32,420	$ -	$ 32,420
Amortization / Depreciation		9,458	-	9,458
Exploration and evaluation expenses		1,187,283	-	1,187,283
Investor relations		34,563	-	34,563
Office expenses		69,207	-	69,207
Professional fees		71,873	-	71,873
Rent		47,707	-	47,707
Stock-based compensation / Share-based compensation	4(b)(ii)	147,916	(4,144)	143,772
Travel		25,785	-	25,785
Wages and consulting fees		447,818	-	447,818
Loss from operations		(2,074,030)	4,144	(2,069,886)
Finance (expenses) income:				
Interest and other income		32,518	-	32,518
Interest expense		(869)	-	(869)
Total finance (expenses) income		31,649	-	31,649
Non-operating income (expenses):				
Gain on sale of marketable securities		105,130	-	105,130
Write-down of exploration and evaluation assets		(579,165)	-	(579,165)
Total non-operating income (expenses)		(474,035)	-	(474,035)
Loss before income taxes		(2,516,416)	4,144	(2,512,272)
Future / Deferred income tax recovery	4(b)(i)	445,947	(309,247)	136,700
Net loss for the year		$ (2,070,469)	$ (305,103)	$ (2,375,572)
Unrealized gain on marketable securities		48,000	-	48,000
Comprehensive loss for the year		$ (2,022,469)	$ (305,103)	$ (2,327,572)
Weighted average number of shares outstanding		67,745,500		67,745,500
Basic and diluted loss per share		$ (0.03)		$ (0.04)

(Stated in Canadian Funds)

5. First-time Adoption of IFRS *– Continued*

b) Reconciliation of Previously Reported Financial Statements *– Continued*

Notes to the reconciliations of previously reported financial statements:

(i) Flow-through Share Accounting

Under Canadian GAAP, the Company would record the gross proceeds relating to the flow-through shares to share capital at the time of issuance. It would then record a charge (reduction) to share capital at the time the tax benefits of the flow-through shares were renounced to the subscribers. The charge was calculated by multiplying the amount of the renounced tax benefits (which are equal to the proceeds of the flow-through share issuance) by the effective tax rate at the time. The offset would go to the deferred tax liability to reflect the fact that the Company could no longer use the tax attributes for its benefit.

Under IFRS, the proceeds from issuing flow-through shares are allocated between the offering of the shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares, at the date of closing, and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished when the tax effect of the temporary differences, resulting from the renunciation, is recorded. The difference between the liability and the value of the tax assets renounced is recorded as a deferred tax expense. There is no subsequent reduction in share capital.

Impact on Statements of Financial Position:

	March 1, 2010	February 28, 2011
Share capital	$ 291,794	$ 601,041
Adjustment to the deficit	$ (291,794)	$ (601,041)

Impact on Statement of Loss and Comprehensive Loss:

	Year Ended February 28, 2011
Deferred income tax recovery	$ (309,247)
Adjustment to the net loss and comprehensive loss	$ (309,247)

(ii) IFRS 2 – Share-based Payments and Share-based Payments Reserve

Under Canadian GAAP, the Company calculated the fair value of share-based awards with graded vesting features as one grant and used the straight-line method of calculating share-based payments over the vesting period.

Under IFRS, each tranche of a share-based award with different vesting dates is considered a separate grant for the fair value calculation. The resulting fair value of the share-based payment is recognized over the vesting period of the respective tranche using the graded vesting method.

(Stated in Canadian Funds)

5. First-time Adoption of IFRS *– Continued*

b) Reconciliation of Previously Reported Financial Statements *– Continued*

Notes to the reconciliations of previously reported financial statements: *– Continued*

(ii) IFRS 2 – Share-based Payments and Share-based Payments Reserve *– Continued*

Impact on Statements of Financial Position:

	March 1, 2010	February 28, 2011
Share based-payments reserve	$ 33,618	$ 29,474
Adjustment to the deficit	$ (33,618)	$ (29,474)

Impact on Statement of Loss and Comprehensive Loss:

	Year Ended February 28, 2011
Share-based compensation	$ 4,144
Adjustment to the net loss and comprehensive loss	$ 4,144

6. Short-term Investments

As of February 29, 2012, the Company has invested $34,500 (February 28, 2011 - $234,500 and March 1, 2010 - $134,500) into a Guaranteed Investment Certificate ("GIC") with a Canadian financial institution. This GIC is yielding interest at 1.00% per annum and has a maturity date greater than four months.

7. Marketable Securities

Marketable securities have been classified as available-for-sale investments and consist of various common shares held by the Company of other public companies. A summary of the above details is as follows:

	February 29, 2012		February 28, 2011		March 1, 2010	
	Market Value	**Cost**	Market Value	Cost	Market Value	Cost
Common shares of public companies, not subject to significant influence	**$ 99,000**	**$ 283,250**	$ 115,000	$ 283,250	$ 62,500	$ 278,750

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(Stated in Canadian Funds)

8. Property and Equipment

Details are as follows:

	February 29, 2012					
		Cost		**Accumulated Amortization**		**Net Book Value**
Computer equipment	**$**	**44,478**	**$**	**(30,119)**	**$**	**14,359**
Computer software		**82,138**		**(82,138)**		**-**
Office furniture and equipment		**34,464**		**(20,680)**		**13,784**
Project field equipment		**17,422**		**(8,479)**		**8,943**
	$	**178,502**	**$**	**(141,416)**	**$**	**37,086**

	February 28, 2011					March 1, 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

9. Reclamation Bonds

As of February 29, 2012, the Company has invested a total $83,800 (February 28, 2011 - $50,500 and March 1, 2010 - $45,000) into various GICs with a Canadian financial institution as part of various Safe-Keeping Agreements entered into by the Company for its various properties. 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 0.90% to 0.95%.

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(Stated in Canadian Funds)

10. Exploration and Evaluation Assets

Details of the Company's exploration and evaluation acquisition costs are as follows:

	Minto/Carmacks Copper-Gold Properties (Yukon)	Engineer (B.C.)	Gold Hill (B.C.)	Voigtberg (B.C.)	Other Properties (B.C. & Yukon)	Total
Balance, March 1, 2010	$ 653,834	$ 436,263	$ -	$ 151,944	$ 579,548	$ 1,821,589
Acquisition costs - cash	50,000	10,000	10,000	-	-	70,000
Acquisition costs - shares and warrants	12,000	250,000	12,000	18,000	-	292,000
Property option payments received – cash and shares	(164,500)	-	-	-	-	(164,500)
Write-down of exploration and evaluation assets	-	-	-	-	(579,165)	(579,165)
Balance, February 28, 2011	$ 551,334	$ 696,263	$ 22,000	$ 169,944	$ 383	$ 1,439,924
Acquisition costs - cash	-	10,000	25,000	-	47,000	82,000
Acquisition costs - shares and warrants	-	200,000	-	-	15,000	215,000
Balance, February 29, 2012	**$ 551,334**	**$ 906,263**	**$ 47,000**	**$ 169,944**	**$ 62,383**	**$ 1,736,924**

Details of the Company's exploration and evaluation expenses, which have been cumulatively expensed in the Statements of Loss and Comprehensive Loss and Deficit, are as follows:

	Minto/Carmacks Copper-Gold Properties (Yukon)	Engineer (B.C.)	Gold Hill (B.C.)	Voigtberg (B.C.) *	Other Properties (B.C. & Yukon)	Total
Balance, March 1, 2010	$ 3,621,041	$ 1,456,830	$ -	$ 793,669	$ 1,097,808	$ 6,969,348
Exploration and evaluation expenses	301,781	528,676	-	81,366	70,035	981,858
Balance, February 28, 2011	3,922,822	1,985,506	-	875,035	1,167,843	7,951,206
Exploration and evaluation expenses (recovery) **	(49,952)	878,817	213,985	5,027	33,638	1,081,515
Balance, February 29, 2012	**$ 3,872,870**	**$ 2,864,323**	**$ 213,985**	**$ 880,062**	**$ 1,201,481**	**$ 9,032,721**

** As of February 29, 2012, the Company incurred $1,016,898 in exploration and evaluation expenses on the Voigtberg property. This amount has been offset by $136,836 in BC METC ("British Columbia Mining Exploration Tax Credit").*

*** As per the Statement of Loss and Comprehensive Loss, the Company incurred $1,166,232 (February 28, 2011 – $1,187,283) in exploration and evaluation expenses. Of this amount, $1,081,515 (February 28, 2011 - $981,858) was incurred as a result of exploration on the Company's respective properties as per the table above and $84,717 (February 28, 2011 - $205,425) was incurred as a result of general exploration.*

a) Engineer Mine Property, B.C.

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);*

10. Exploration and Evaluation Assets *– Continued*

a) Engineer Mine Property, B.C. *– Continued*

- Making a rental payment of $30,000 on January 16, 2010 *(paid)* and thereafter annual rental payments of $10,000 per year *(2011 and 2012 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 *(earned)* by paying $200,000 or issuing $200,000 of value in shares and 100,000 warrants by January 16, 2012; *(issued 2,105,263 shares – fair value of $194,875 for the shares and $5,125 for the warrants)* 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.

The Company currently holds a 75% interest and 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 noted above 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%.

b) Gold Hill Property, B.C.

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:

(Stated in Canadian Funds)

10. Exploration and Evaluation Assets – *Continued*

b) Gold Hill Property, B.C. – *Continued*

- Making $110,000 in staged cash payments (*paid - $35,000 to date)*;
- 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 *(incurred)*
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 2.5% 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.

c) 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 February 29, 2012, 450,000 warrants out of the 500,000 warrants issued have expired without exercise.

An NSR of 1.75% applies to the mineral properties of which 1.25% can be purchased by the Company for $1,500,000.

Toe and Pepper Properties

During the prior 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. During the year ended February 29, 2012, these Option Agreements were terminated.

10. Exploration and Evaluation Assets – *Continued*

d) Voigtberg Property, B.C.

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.

Under the terms of the agreements, the Company has issued an aggregate 400,000 units *(fair value of $118,726 for the shares and $31,218 for the warrants)*. Each unit consists of one common share of BCGold and one-half of one common share purchase warrant. All warrants issued under the terms of the agreements have expired without exercise. The Company also granted 200,000 common shares *(fair value - $20,000)* and incurred in excess of $1,000,000 of exploration expenditures in connection with these agreements to earn a 50% interest in the property.

The Company has elected not to earn an additional 20% interest to increase its interest to 70% and consequently the property is now subject to a 50/50 joint venture with Kaminak.

A 2% NSR in favour of a third party exists on the property.

e) Off-White Gold Property, Yukon

On January 9, 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Off-White Gold property in central Yukon. The Company can earn a 100% interest in the Off-White Gold property by meeting the following contractual commitments:

<u>Cash Payments:</u>

- $47,000 within seven business days following TSX-V acceptance *(paid)*;

<u>Share Issuances:</u>

- 150,000 common shares of the Company within seven business days following TSX-V acceptance *(issued – fair value of $15,000)*;
- 300,000 common shares of the Company on or before December 31, 2012;
- 600,000 common shares of the Company on or before December 31, 2013;
- 900,000 common shares of the Company on or before December 31, 2014; and
- 1,050,000 common shares of the Company on or before December 31, 2015;

<u>Minimum Exploration Expenditures:</u>

- $75,000 on or before December 31, 2012;
- $125,000 on or before December 31, 2013;
- $200,000 on or before December 31, 2014; and
- $200,000 on or before December 31, 2015;

(Stated in Canadian Funds)

10. Exploration and Evaluation Assets – *Continued*

e) Off-White Gold Property, Yukon – *Continued*

The property vendor will retain a 2% NSR on the Off-White Gold property, which can be reduced to 1% by the Company at a cost of $1,000,000. The Company also agrees to make annual advanced royalty payments of $60,000 commencing on the seventh anniversary date of the agreement.

f) Sickle-Sofia Property, B.C.

During the prior 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.

11. Equity

a) Share Capital

The Company's authorized share capital consists of an unlimited number of common voting shares without par value.

b) Private Placements

Private Placement August 2011

On August 31, 2011, the Company closed a non-brokered private placement of 10,053,663 flow-through units at a price of $0.12 per flow-through unit and 2,660,000 non flow-through units at a price of $0.10 per non flow-through unit for aggregate gross proceeds of $1,472,440.

Each flow-through unit comprises of one flow-through or one BC super 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 $0.30 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 $0.20 per share for a period of one year from the date of issuance. Finder's fees of $60,390 were paid in cash.

The warrants attached to this private placement have been valued at $118,865 ($126,112 net of warrant issuance costs of $7,247) based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.47%
Expected stock price volatility	114%
Expected dividend yield	0.00%
Expected life of warrants	1 year

(Stated in Canadian Funds)

11. Equity *– Continued*

b) Private Placements *– Continued*

Private Placement August 2011 – Continued

In connection with this private placement, the Company issued 333,333 broker's options and 24,000 broker's warrants. Each broker's option entitles the holder to purchase one additional unit comprised of one non flow-through common share at a price of $0.12 per share and one-half of one non flow-through common share purchase warrant, each whole warrant exercisable at a price of $0.30 per share for a period of one year from the date of issuance. The broker's warrants are exercisable as follows: 12,000 at a price of $0.20 per share for a period of one year from the date of issuance and 12,000 at a price of $0.30 per share for a period of one year from the date of issuance. The broker's options have been valued at $15,033 and the broker's warrants have been valued at $595 based upon the Black-Scholes Method using the same assumptions noted above. The Company has recorded the fair value of these broker's options and warrants as share issuance costs.

Private Placement September 2011

On September 29, 2011, the Company closed a non-brokered private placement of 634,000 flow-through units at a price of $0.12 per flow-through unit and 500,000 non flow-through units at a price of $0.10 per non flow-through unit for aggregate gross proceeds of $126,080.

Each flow-through unit comprises of one flow-through or one BC super 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 $0.30 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 $0.20 per share for a period of one year from the date of issuance.

The warrants attached to this private placement have been valued at $8,422 ($9,150 net of warrant issuance costs of $728) based upon the Black-Scholes Method using the following assumptions noted below.

Assumptions	
Risk-free interest rate	1.20%
Expected stock price volatility	113%
Expected dividend yield	0.00%
Expected life of warrants	1 year

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.

(Stated in Canadian Funds)

11. Equity – *Continued*

b) Private Placements – *Continued*

Private Placement April 2010 – Continued

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.

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 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.

(Stated in Canadian Funds)

11. Equity *– Continued*

b) Private Placements *– Continued*

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)

11. Equity – *Continued*

c) Share Purchase and Agents Warrants

Details of outstanding warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – March 1, 2010	8,805,500	$0.16
Issued	17,918,619	$0.21
Exercised	(105,014)	$0.12
Expired	(8,600,486)	$0.17
Balance - February 28, 2011	18,018,619	$0.21
Issued	7,047,831	$0.27
Expired	(11,523,100)	$0.16
Balance – February 29, 2012	**13,543,350**	**$0.29**

At February 29, 2012, the following warrants are outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
July 5, 2012	$0.50	50,000	$ 4,858
August 19, 2012	$0.30	3,897,500	223,998
August 31, 2012	$0.20	1,342,000	33,645
August 31, 2012	$0.30	5,038,831	85,815
September 28, 2012	$0.20	250,000	4,579
September 28, 2012	$0.30	317,000	3,843
October 28,2012	$0.30	2,473,019	157,650
January 16, 2013	$0.14	75,000	7,108
January 12, 2014	$0.12	100,000	5,125
Weighted Average	**$0.29**	**13,543,350**	**$ 526,621**

The above noted fair value of $526,621 is included in share-based payments reserve in the Company's Statement of Financial Position at February 29, 2012.

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)

11. Equity – *Continued*

d) Stock Options – *Continued*

Fiscal year ended February 29, 2012 - Grants

On October 28, 2011, the Company granted 2,000,000 incentive stock options to certain directors, officers, employees and consultants. The options are exercisable at $0.10 per share and expire on October 28, 2016. Of these options, 1,770,000 vested immediately and 230,000 are subject to vesting criteria such that 25% shall vest every three months from the date of grant. The corresponding share-based compensation expense amounted to $188,434, which was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.30%
Expected stock price volatility	168%
Expected dividend yield and forfeiture	0.00%
Expected life of options	5 years

Of the $188,434 in share-based compensation expense, $180,199 has been recognized during the year ended February 29, 2012 and the remaining $8,235 will be recognized during future reporting periods. The weighted average fair value of these options was $0.09.

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 share-based compensation expense amounted to $231,668, 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 $231,668 in share-based compensation expense, $65,824 has been recognized during the fiscal year ended February 28, 2011 and $165,844 has been recognized during the year ended February 29, 2012. The weighted average fair value of these options was $0.12.

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 share-based compensation expense amounted to $111,566, which was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Stated in Canadian Funds)

11. Equity – *Continued*

d) Stock Options – *Continued*

Fiscal year ended February 28, 2010 – Grants – *Continued*

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

Of the $111,566 in share-based compensation expense, $33,618 has been recognized during the fiscal year ended February 28, 2010 and $77,948 has been recognized during the year ended February 28, 2011. The weighted average fair value of these options was $0.06.

At February 29, 2012, the following options were outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining in Years	Number of Options Exercisable
June 19, 2012*	$0.70	100,000	0.30	100,000
August 22, 2012	$0.70	446,000	0.48	446,000
October 24, 2013	$0.20	755,000	1.65	755,000
January 11, 2015	$0.10	1,645,000	2.87	1,645,000
January 11, 2016	$0.15	1,960,000	3.87	1,960,000
October 28, 2016	$0.10	2,000,000	4.67	1,827,500
	$0.17	**6,906,000**	**3.35**	**6,733,500**

* *Expired subsequent to February 29, 2012*

During the year ended February 29, 2012, 310,000 incentive stock options with an exercise price of $0.10 and 190,000 incentive stock options with an exercise price of $0.45 expired without exercise; 110,000 incentive stock options with an exercise price of $0.70 and 60,000 incentive stock options with an exercise price of $0.20 were forfeited.

e) Broker's Options

On August 6, 2010, the 430,000 broker's options which were granted in previous private placements were exercised for gross proceeds of $34,400. The fair value of $27,528 in connection with these options was transferred from share-based payments reserve to share capital. The 215,000 warrants tied to these options expired without exercise on August 7, 2010.

f) Flow-Through Shares

Fiscal Year Ended February 29, 2012

During the year ended February 29, 2012, the Company issued 10,687,663 flow-through common shares for total proceeds of $1,281,451. These funds must be used for qualifying exploration expenditures and have been renounced to the flow-through shareholders effective December 31, 2011. The unspent balance of these flow-through issuances as at February 29, 2012 was $821,727 which must be spent by December 31, 2012. The remaining $138,271 of the Company's cash and cash equivalents balance of $959,998 at February 29, 2012 is to be used for corporate and administrative expenses.

(Stated in Canadian Funds)

11. Equity – *Continued*

f) Flow-Through Shares – *Continued*

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 total proceeds of these flow-through issuances have been spent by the required deadline of December 31, 2011.

12. Related Party Transactions

Details of transactions between the Company and related parties are disclosed below:

a) Trading Transactions

The Company's related parties consist of its President and Chief Executive Officer, a company owned by the Vice President of Exploration of the Company and a company owned by the Chief Financial Officer of the Company. The nature of transactions and relationships is as follows:

	Nature of Transactions
President and CEO	Management
O'Brien Geological Consulting Inc.	Management
Larry M. Okada Inc.	Management

The Company incurred fees and expenses in the normal course of operations in connection with its President and CEO, and companies owned by key management. Details are as follows:

	Note	**February 29, 2012**	February 28, 2011
Management fees	(i)	**$ 405,000**	$ 257,583
Total Amount Included in Wages and Consulting Fees	(ii)	**$ 405,000**	$ 257,583

(i) During the year ended February 29, 2012, the Company paid $175,000 (February 28, 2011 - $173,333) to its President and Chief Executive Officer for consulting services. The Company paid fees to a private company controlled by its Vice President of Exploration for consulting services. The total amount paid during the year ended February 29, 2012 was $170,000 (February 28, 2011 - $21,250). The Company also paid fees to a private company controlled by its Chief Financial Officer for consulting services. The total amount paid during the year ended February 29, 2012 was $60,000 (February 28, 2011 - $63,000).

(ii) Amounts due to related parties are unsecured, non-interest bearing and due on demand.

Included in accounts payable and accrued liabilities at February 29, 2012 is $17,279 (February 28, 2011 - $16,213 and March 1, 2010 - $Nil) owing to the Company's Vice President of Exploration and $Nil (February 28, 2011 - $5,662 and March 1, 2010 - $5,385) owing to the Company's Chief Financial Officer.

(Stated in Canadian Funds)

12. Related Party Transactions – *Continued*

b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the year ended February 29, 2012 and February 28, 2011 were as follows:

	Note	February 29, 2012	February 28, 2011
Management fees	(i)	$ 405,000	$ 257,583
Share-based compensation	(ii)	214,075	36,579
		$ 619,075	$ 294,162

(i) Management fees include the fees disclosed in Note 12(a) above. The Company did not pay any director's fees during the years ended February 29, 2012 and February 28, 2011.

(ii) Share-based compensation is the fair value of options granted and vested to key management personnel.

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the years ended February 29, 2012 and February 28, 2011.

13. Segmented Information

The Company conducts its business in a single operating segment being the mining business in Canada. All mineral properties and property and equipment are situated in Canada. Any investment revenues were earned principally from Canadian sources.

14. Management of Capital

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.

14. Management of Capital *– Continued*

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 29, 2012 compared to the year ended February 28, 2011. The Company is not subject to externally imposed capital requirements.

15. Financial Instruments

Fair Value

The Company has classified its cash and cash equivalents, other receivables and reclamation bonds as loans and receivables and short-term investments as fair value through profit or loss. Marketable securities have been classified as available-for-sale and accounts payable and accrued liabilities are classified as borrowings and other financial liabilities.

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Upon transition to IFRS, there was no transfer between levels for the Company's financial instruments. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company has classified its short-term investments and marketable securities under level 1;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(Stated in Canadian Funds)

15. Financial Instruments – *Continued*

Fair Value – *Continued*

The following provides a comparison of carrying values of each classification of financial instruments as at February 29, 2012, February 28, 2011 and March 1, 2010:

		February 29, 2012		February 28, 2011		March 1, 2010
Loans and receivables	**$**	**1,077,778**	$	1,518,282	$	282,931
Fair value through profit or loss	**$**	**34,500**	$	234,500	$	134,500
Available-for-sale	**$**	**99,000**	$	115,000	$	62,500
Borrowings and other financial liabilities	**$**	**64,661**	$	93,069	$	165,934

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, interest rate risk, liquidity risk and market price 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, short-term investments and other receivables. BCGold deposits its cash and cash equivalents with high credit quality major Canadian financial institutions as determined by ratings agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

<u>Interest Rate Risk</u>

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents, short-term investments and reclamation bonds include deposits which are at variable interest rates. For the year ended February 29, 2012, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash and cash equivalents and short-term investments by approximately $5,000.

<u>Liquidity Risk</u>

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 29, 2012, the Company had a cash balance of $959,998 (February 28, 2011 - $1,419,320 and March 1, 2010 - $204,935) to settle current liabilities of $64,661 (February 28, 2011 - $93,069 and March 1, 2010 - $165,934). Further information relating to liquidity risk is disclosed in Note 1.

<u>Market Price Risk</u>

The only significant market price risks to which the Company is exposed to is interest rate risk and price volatility on its marketable securities. The Company's bank account earns interest at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

(Stated in Canadian Funds)

16. Commitments

Effective May 1, 2011, the Company entered into a lease agreement for office space at approximately $11,500 per month ($138,000 annually). The Company concurrently subleases a portion of the office space to three other companies resulting in a net rental cost of approximately $4,000 per month ($48,000 annually). Two of the three other companies have the right to terminate their sublease agreements with six months written notice and the one other company has the right to terminate its sublease agreement with twelve months written notice. The Company has the right to assign the lease to two of the three other companies at the Company's then cost for the office space. The lease has an expiry date of April 30, 2016.

17. 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 29, 2012	For the Year Ended February 28, 2011
Loss before income taxes	**$ (2,349,252)**	$ (2,512,272)
Statutory Canadian federal and provincial tax rates	**25.00%**	26.50%
Expected tax recovery	**(587,313)**	(665,752)
Adjustments:		
Share-based compensation	**86,511**	38,100
Other temporary and permanent differences	**281,447**	182,669
Statutory tax rate difference	**-**	(18,680)
Change in unrecognized deferred tax asset	**203,505**	326,963
Income tax recovery	**$ (15,850)**	$ (136,700)

b) The components of the Company's deferred income tax asset (liability) balances were as follows:

	February 29, 2012	February 28, 2011	March 1, 2010
Non-capital loss carry-forwards	**$ 1,172,291**	$ 930,522	$ 718,183
Share issuance costs	**59,324**	76,980	69,706
Other	**46,009**	37,812	28,791
Exploration and evaluation assets - (tax basis in excess of book value)	**787,858**	816,663	754,428
Unrecognized deferred tax asset	**(2,065,482)**	(1,861,977)	(1,571,108)
Deferred 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 29, 2012 the future enacted rate in Canada is estimated to be 25% (2011 – 25%).

c) The Company has non-capital losses which may be applied to reduce future year's taxable income. As at February 29, 2012, these non-capital losses amounted to $4,689,162 (February 28, 2011 – $3,722,089). Of these non-capital losses, $14,160 will expire in 2026, $437,433 will expire in 2027, $1,084,684 will expire in 2028, $744,113 will expire in 2029, $654,275 will expire in 2030, $787,424 will expire in 2031 and the remaining $967,073 will expire in 2032.

18. Subsequent Events

a) Subsequent to the year ended February 29, 2012, the Company entered into a letter agreement with Pacific-Link Capital Inc. ("Pacific-Link") whereby Pacific-Link can earn up to a 70% interest in the Company's 100% controlled Toe Property in the Yukon.

Pacific-Link can earn a 60% interest in the Toe Property over a four year period by making $255,000 in cash payments, incurring $1,900,000 in exploration expenditures and issuing 400,000 common shares of Pacific-Link to the Company. Pacific-Link can earn an additional 10% interest in the Toe Property by completing a feasibility study.

The Toe Property is subject to a 2.5% NSR held by the Company and a third party.

This transaction is subject to regulatory approval and to a definitive agreement being entered into by Pacific-Link and BCGold.

b) On June 20, 2012, the Company received $107,648 from the sale of gold concentrate which was derived from the Company's bulk sampling program at the Engineer Mine property in 2011.