

Precipitate Gold Corp.

(An Exploration Stage Company)

Consolidated Financial Statements

**For the Year ended November 30, 2012 and Period from Incorporation on January
31, 2011 to November 30, 2011**

Expressed in Canadian Dollars



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Precipitate Gold Corp.

We have audited the accompanying financial statements of Precipitate Gold Corp., which comprise the statements of financial position as at November 30, 2012 and 2011, the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended November 30, 2012 and for the period from incorporation on January 31, 2011 to November 30, 2011, and notes, comprising 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 about 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 Precipitate Gold Corp. as at November 30, 2012 and 2011, and its financial performance and its cash flows for the year ended November 30, 2012 and for the period from incorporation on January 31, 2011 to November 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 of the financial statements which describes that Precipitate Gold Corp. has no current sources of revenues, incurred losses in the year ended November 30, 2012 and for the period from incorporation on January 31, 2011 to November 30, 2011, and had an accumulated deficit at November 30, 2012. 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.



March 28, 2013
Vancouver, Canada

Precipitate Gold Corp.*(An Exploration Stage Company)***Consolidated Statements of Financial Position***In Canadian Dollars*

ASSETS	November 30,		November 30,	
	2012		2011	
Current				
Cash and cash equivalents	\$	1,349,460	\$	483,124
Amounts receivable		61,864		78,993
Tax credit receivable (Note 4)		28,639		24,854
Prepaid expenses		120,058		13,259
		<u>1,560,021</u>		<u>600,230</u>
Mineral Properties (Note 4)		<u>2,719,176</u>		<u>355,092</u>
	\$	<u>4,279,197</u>	\$	<u>955,322</u>
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 8(e))	\$	59,514	\$	92,180
Flow-through share liability (Note 5(c))		-		24,000
		<u>59,514</u>		<u>116,180</u>
SHAREHOLDERS' EQUITY				
Share Capital (Note 5)		6,096,455		1,470,250
Reserves (Note 5)		578,670		2,250
Deficit		<u>(2,455,442)</u>		<u>(633,358)</u>
		<u>4,219,683</u>		<u>839,142</u>
	\$	<u>4,279,197</u>	\$	<u>955,322</u>

Nature of Operations and Going Concern (Note 1)**Subsequent Events** (Note 12)

Approved by the Board of Directors:

"Jeffrey Wilson"

Jeffrey Wilson, Director

"Darryl Cardey"

Darryl Cardey, Director

- See Accompanying Notes -

Precipitate Gold Corp.*(An Exploration Stage Company)***Consolidated Statements of Loss and Comprehensive Loss****For the Year Ended November 30, 2012 and the Period from Incorporation on January 31, 2011 to November 30, 2011***In Canadian Dollars*

	2012	2011
Expenses		
Audit and accounting	\$ 53,730	\$ 19,750
Consulting fees	15,031	-
Directors fees	24,000	-
Exploration and evaluation (Note 4(f))	570,799	594,761
Foreign exchange (gain) / loss	546	-
Insurance	10,051	828
Investor relations	57,013	-
Legal	4,658	8,167
Marketing, conferences and shareholder relations	102,775	-
Office and administrative	83,400	16,956
Property investigation costs (Note 4(d))	171,173	-
Rent	42,437	1,500
Salaries and wages	216,132	12,916
Share based compensation (Note 5(e))	485,156	-
Transfer agent and filing fees	19,196	-
Travel	2,186	-
Total Expenses	1,858,283	654,878
Other Income:		
Interest income	(12,199)	(520)
Other income (Note 5(c))	(24,000)	(21,000)
Net loss and comprehensive loss for the period	\$ 1,822,084	\$ 633,358
Loss per share, basic and diluted	\$ 0.09	\$ 0.12
Weighted average shares outstanding	19,920,660	5,116,105

– See Accompanying Notes –

Precipitate Gold Corp.*(An Exploration Stage Company)***Consolidated Statements of Cash Flows****For the Year Ended November 30, 2012 and the Period from Incorporation on January 31, 2011 to November 30, 2011***In Canadian Dollars*

Cash Provided By (Used In):	2012	2011
Operating activities:		
Loss for the period	\$ (1,822,084)	\$ (633,358)
Items not affecting cash:		
Other income	(24,000)	(21,000)
Share based compensation	485,156	-
Change in non-cash working capital:		
Accounts receivable	17,129	(78,993)
Tax credit receivable	(3,785)	(24,854)
Prepaid expenses	(106,799)	(13,259)
Accounts payable and accrued liabilities	(32,666)	92,180
	<u>(1,487,049)</u>	<u>(679,284)</u>
Investing activities:		
Mineral property acquisition costs (Note 4(e))	<u>(336,553)</u>	<u>(355,092)</u>
	<u>(336,553)</u>	<u>(355,092)</u>
Financing activities:		
Proceeds from issuance of shares (Note 5)	3,055,200	1,517,500
Share issue costs paid	(372,762)	-
Cash received from exercise of warrants (Note 5)	7,500	-
	<u>2,689,938</u>	<u>1,517,500</u>
Net increase in cash and cash equivalents	866,336	483,124
Cash and cash equivalents - beginning of period	483,124	-
Cash and cash equivalents - end of period	\$ 1,349,460	\$ 483,124
Supplemental non-cash financing information:		
Mineral property acquisition costs paid with common shares	\$ 2,027,531	\$ -
Fair value of agent options included in share capital	\$ 93,514	\$ -

- See Accompanying Notes -

Precipitate Gold Corp.*(An Exploration Stage Company)***Consolidated Interim Statements of Changes in Equity****For the Year Ended November 30, 2012 and the Period from Incorporation on January 31, 2011 to November 30, 2011***In Canadian Dollars*

	Share Capital		Reserves			Total \$
	Shares	Amount \$	Warrants \$	Options \$	Deficit \$	
Balance, Incorporation on January 31, 2011	-	-	-	-	-	-
Comprehensive loss	-	-	-	-	(633,358)	(633,358)
Private placement – March 2011 (Note 5(b)(i))	3,720,000	115,500	-	-	-	115,500
Warrants issued – March 2011 (Note 5(b)(i))	-	-	49,500	-	-	49,500
Private placement – July 2011 (Note 5(b)(ii))	4,362,000	1,090,500	-	-	-	1,090,500
Private placement – November 2011 (Note 5(b)(iii))	250,000	62,500	-	-	-	62,500
Exercise of warrants (Note 5(b)(iv & v))	3,570,000	201,750	(47,250)	-	-	154,500
Balance, November 30, 2011	11,902,000	1,470,250	2,250	-	(633,358)	839,142
Comprehensive loss	-	-	-	-	(1,822,084)	(1,822,084)
Private placements (Note 5(b)(vii) & viii))	2,850,666	855,200	-	-	-	855,200
Exercise of warrants (Note 5(b)(vi))	150,000	9,750	(2,250)	-	-	7,500
IPO shares (Note 5(b)(ix))	5,500,000	2,200,000	-	-	-	2,200,000
IPO share issuance costs (Note 5(b)(ix))	-	(372,762)	-	-	-	(372,762)
Common shares issued for mineral property (Note 5(b)(x))	5,068,827	2,027,531	-	-	-	2,027,531
Fair value of Agent's options (Note 5(b)(ix))	-	(93,514)	-	93,514	-	-
Fair value of directors and consultants' options (Note 5(e))	-	-	-	485,156	-	485,156
Balance, November 30, 2012	25,471,493	6,096,455	-	578,670	(2,455,442)	4,219,683

– See Accompanying Notes –

Precipitate Gold Corp.

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Notes to the Consolidated Financial Statements

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In Canadian Dollars

1. Nature of Operations and Going Concern

Precipitate Gold Corp. (the "Company") was incorporated on January 31, 2011, under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada and the Dominican Republic. The head office, principal address, and records office of the Company are located at 789 West Pender Street, Suite 800, Vancouver, British Columbia, V6C 1H2, Canada.

The recoverability of amounts shown as mineral properties is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At November 30, 2012, the Company had not achieved profitable operations, had an accumulated deficit of \$2,455,442 since inception and expects to incur further losses in the development of its business. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

2. Basis of Presentation

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit and loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

The accounting policies set out in Note 3 have been applied consistently by the Company during the current year.

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2. Basis of Presentation - Continued

b) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on March 28, 2013.

c) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary, 0945044 BC Ltd. which was incorporated in British Columbia, Canada, which owns 100% of Corporacion Minera San Juan, S.R.L. which is located in the Dominican Republic.

d) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. Subsidiaries whose functional currency differ from that of the parent company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the date of the statement of financial position, and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

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3. Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash within three months.

b) Mineral Properties

i) Exploration and Evaluation

Staking costs, property option payments, and other costs associated with acquiring exploration and evaluation assets are capitalized and classified as intangible assets, whereas exploration and evaluation expenditures are recognized as expenses as they are incurred during the period. Exploration and evaluation expenditures include costs of conducting geological and geophysical surveys, equipment rental, helicopter charter, and geochemical analysis.

Management reviews the carrying value of capitalized exploration costs at least annually. The review is based on the Company's intentions for development of the undeveloped property.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

ii) Development

Upon completion of a technical feasibility study and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to and classified as mineral property acquisition and development costs. Costs associated with the commissioning of new assets incurred in the period before they are operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

The costs of removing overburden to access ore are capitalized as pre-production stripping costs and classified as a component of property, plant and equipment.

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3. Significant Accounting Policies – Continued

b) Mineral Properties – Continued

iii) Impairment

The carrying value of all categories of mineral property are reviewed at least annually by management for indicators that the recoverable amount may be less than the carrying value. 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 profit or loss to the extent the carrying amount exceeds the recoverable amount.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or CGU through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs to sell is the amount obtainable from either quotes from an active market or the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit or group of units on a pro rata basis. Impairment losses are recognized in other expenses. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risks uncertainties. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

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3. Significant Accounting Policies – Continued

c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

d) Site Closure and Reclamation Provision

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. As at November 30, 2012, the Company had not recognized any site closure and reclamation provision.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant and equipment. These costs are depreciated on a basis consistent with depreciation, depletion, and amortization of the underlying assets.

The obligation is accreted over time for the change in their present value, with this accretion charge recognized as a finance expense in the statements of comprehensive loss. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in profit or loss.

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3. Significant Accounting Policies – Continued

d) Site Closure and Reclamation Provision – Continued

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

e) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination or items recognized either in other comprehensive income or directly in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

f) Share Capital

- i) The proceeds from the exercise of stock options, common share purchase warrants and purchase of common shares are recorded as share capital in the amount for which the option, warrant or share enabled the holder to purchase a common share in the Company.

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3. Significant Accounting Policies – Continued

f) Share Capital – Continued

- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair value of these common shares.
- iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis using relative fair values of common shares and warrants. The fair value of common share purchase warrants is determined using the Black-Scholes option pricing model.
- (iv) The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company separates the flow-through common share into i) a flow-through common share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. When the resource property expenditures are incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders.

All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

g) Loss per Share

Basic loss per share is calculated using the weighted average number of common shares issued and outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings per share. Diluted and basic loss per share are the same because the effects of potential issuances of common shares under stock options and common share purchase warrants would be anti-dilutive.

h) Comprehensive Income

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position.

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3. Significant Accounting Policies – Continued

i) Share-based Payments

From time to time, the Company grants stock options to directors, officers, employees and non-employees to purchase common shares. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the stock options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

j) Financial Instruments

The Company accounts for its financial instruments as follows:

Cash and cash equivalents, amounts receivable and tax credit receivable	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's loans and receivables consist of cash and cash equivalents, amounts receivable and tax credit receivable.

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3. Significant Accounting Policies – Continued

j) Financial Instruments – Continued

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any financial assets as fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified at fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred. The Company's financial liabilities consist of accounts payable and accrued liabilities.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets at fair value through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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3. Significant Accounting Policies – Continued

j) Financial Instruments – Continued

Impairment of Financial Assets – Continued

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

k) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

l) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

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3. Significant Accounting Policies – Continued

I) Critical Accounting Judgments and Estimates – Continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: impairment of mineral property; provision for environmental rehabilitation; inputs used in the valuation of share-based payments; and provision for deferred income tax, including the effects of flow-through shares.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Mineral property

The Company capitalizes mining property acquisition costs that are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

Going concern

Significant judgments are used in the Company's assessment of its ability to continue as a going concern which are described in note 1.

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants. The assumptions and models used for estimating fair value of stock options and common share purchase warrants are disclosed in Note 5.

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3. Significant Accounting Policies – Continued

m) Recent Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Accounting Standards Issued and Effective December 1, 2013

IFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11, *Joint Arrangements*, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, *Disclosure of Involvement with Other Entities*, requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, *Fair Value Measurement*, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, *Share-based Payment*;
- Leasing transactions within the scope of IAS 17, *Leases*;
- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment Assets*.

IFRIC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

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3. Significant Accounting Policies – Continued

m) Recent Accounting Pronouncements – Continued

Accounting Standards Issued and Effective December 1, 2015

IFRS 9, *Financial Instruments*, replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

4. Mineral Properties

a) Reef Property

The Company's principal property, also referred to as the "Reef Property" (the "Principal Property"), is a contiguous area totalling roughly 8,615 hectares located in the Yukon Territory. The Reef Property is comprised of the following mineral quartz claims:

- i) The Reef I-48 claims, which forms part of the Fireside Properties (Note 4a(i));
- ii) All of the Jay East Property (Note 4a(ii)); and
- iii) The Bloom I-262 claims (Note 4a(iii)).

During the year ended November 30, 2012, the Company incurred \$286,205 (2011 - \$238,954) in exploration expenditures on the Principal Property, comprised of \$170,924 (2011 - \$102,974) of exploration expenditures on the Reef I-48 claims, \$49,213 (2011 - \$123,753) of exploration expenditures on the Jay East Property, and \$66,068 (2011 - \$12,227) of exploration expenditures on the Bloom I-262 claims.

(i) Fireside Properties

On April 14, 2011, the Company entered into an option agreement (the Fireside Option Agreement) with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited, to acquire a 100% interest in 17 geographically separate blocks of mineral claims, called the "Fireside Properties". The Fireside Properties are located in the Watson Lake Mining District, Yukon Territory, and northern British Columbia, and include the Reef I-48 claims that are part of the Company's Principal Property.

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4. Mineral Properties – Continued

a) Reef Property – Continued

(i) Fireside Properties – Continued

Pursuant to the option agreement, the Company is required to complete the following option payments and exploration expenditures:

- Cash payments totalling \$300,000 as follows:
 - \$50,000 on April 14, 2011 (paid);
 - \$50,000 on or before June 1, 2011 (paid); and
 - \$200,000 on or before April 14, 2012 (paid).

- Incur exploration expenditures totalling \$2,000,000 as follows:
 - \$200,000 on or before December 31, 2011 (incurred);
 - \$500,000 on or before December 31, 2012 (incurred); and
 - \$1,300,000 on or before December 31, 2013.

As required pursuant to the Fireside Option Agreement, the Company completed an Initial Public Offering (“IPO”), obtained a listing on the TSX-V (See Note 5(b)(ix)), and issued 5,068,827 common shares to Strategic equal to 19.9% of the Company’s issued and outstanding common shares immediately following the IPO. During the earn-in period, Strategic will have the right, but not the obligation, to participate in future equity financings so as to maintain its percentage equity interest in the Company. The Fireside Properties are subject to a 2% net smelter royalty (“NSR”) from any precious metal commercial production and a 1% NSR from any non-precious metal commercial production.

During the year ended November 30, 2012, the Company had incurred \$251,179 (2011 - \$372,495) of exploration expenditures on the Fireside Properties, of which \$170,924 (2011 - \$102,974) was incurred on the Reef I-48 claims and \$80,255 (2011 - \$269,521) on the remaining claims.

(ii) Jay East Property

On July 29, 2011, the Company entered into an option agreement (the Jay East Option Agreement) with Bearing Resources Ltd. (“Bearing”) to acquire up to a 70% interest in 108 mineral claims, called the “Jay East Property”, located in Yukon Territory. The Jay East Property is part of the Company’s Principal Property.

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4. Mineral Properties – Continued

a) Reef Property – Continued

(ii) Jay East Property – Continued

Pursuant to the Jay East Option Agreement, the Company can earn an initial 51% interest by completing the following option payments and exploration expenditures:

- Cash payments totalling \$480,000 as follows:
 - \$5,000 within 5 days of July 29, 2011 and approval of the agreement by TSX-V (paid);
 - \$25,000 on or before July 29, 2012 (paid);
 - \$35,000 on or before July 29, 2013;
 - \$40,000 on or before July 29, 2014;
 - \$50,000 on or before July 29, 2015; and
 - \$325,000 on or before July 29, 2016.

- Incur exploration expenditures totalling \$2,000,000 as follows:
 - \$100,000 on or before December 31, 2012 (incurred);
 - Aggregate of \$1,000,000 on or before July 29, 2014; and
 - Aggregate of \$2,000,000 on or before July 29, 2016.

In order to keep the Jay East Option Agreement in good standing and earn an additional 19% interest in the Jay East Property, the Company must complete a feasibility study on or before July 29, 2019 and complete the following cash payments:

- Cash payments totalling \$300,000 as follows:
 - \$100,000 on or before July 29, 2017;
 - \$100,000 on or before July 29, 2018; and
 - \$100,000 on or before July 29, 2019.

During the year ended November 30, 2012, the Company had incurred \$49,213 (2011 - \$123,753) in exploration expenditures on the Jay East Property.

(iii) Bloom I-262 Claims

The Company acquired the Bloom I-262 claims, located in the Yukon Territory, consisting of 262 quartz claims, through staking. During the year ended November 30, 2012, the Company has incurred \$66,068 (2011 - \$12,227) in exploration expenditures on these claims.

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4. Mineral Properties – Continued

b) Other Properties in Yukon Territory

The Company acquired the Bright and Lombok properties, located in Yukon Territory, consisting of 284 claims, through staking. During the year ended November 30, 2012, the Company has incurred \$117,363 (2011 - \$Nil) in exploration expenditures on these properties.

c) Other Properties in British Columbia

The Company acquired the Ba, Gemini, and Horneline properties, located in the British Columbia, consisting of 69 claims, through staking. During the year ended November 30, 2012, the Company has incurred \$139,416 (2011 - \$111,140) in exploration expenditures on these properties.

d) Properties in the Dominican Republic

On November 9, 2012, the Company acquired 100% ownership of the shares of 0945044 BC Ltd., a private BC registered company ("BC Corp.") which owns a 100% interest in the application for the Juan de Herrera, Higos Blancos and Hato Neuvo gold exploration concessions ("Dominican Republic properties") in the Dominican Republic through Corporacion Minera San Juan, S.R.L. ("CMSJ"), its wholly-owned subsidiary. The Company paid \$60,000 to acquire the shares of BC Corp. from certain shareholders of the Company and substantially allocated the purchase consideration to mineral properties.

In order for the Company to maintain its right, title and interest in BC Corp., the Company must complete the following cash payments, exploration expenditures and share issuances:

- Cash payments totalling \$390,000 as follows:
 - \$90,000 within 5 days of the date that the Dominican Republic Ministry grants exploration concessions over the Juan de Herrera Property ("Grant Date");
 - \$150,000 on or before the first anniversary of the Grant Date; and
 - \$150,000 on or before the second anniversary of the Grant Date;

- Incur exploration expenditures totalling \$1,000,000 as follows:
 - \$250,000 on or before the first anniversary of the Grant Date;
 - \$300,000 on or before the second anniversary of the Grant Date; and
 - \$450,000 on or before the third anniversary of the Grant Date;

- Issue a total of 3,000,000 common shares of the Company as follows:
 - 1,000,000 common shares within 5 days of the Grant Date
 - 1,000,000 common shares on or before the first anniversary of the Grant Date; and
 - 1,000,000 common shares on or before the second anniversary of the Grant Date;

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4. Mineral Properties – Continued

d) Properties in the Dominican Republic – Continued

The properties are subject to a 3% net smelter royalty (“NSR”) from any base and precious metal commercial production. The Company may acquire 50% of the NSR by paying \$2,000,000 to BC Corp.

During the year ended November 30, 2012, the Company has incurred \$171,173 (2011 - \$Nil) of property investigation costs and \$42,266 (2011 - \$Nil) in exploration expenditures on the Dominican Republic properties.

e) Acquisition Costs Summary

Details of acquisition costs incurred for the year ended November 30, 2012 and the period from incorporation on January 31, 2011 to November 30, 2011 are as follows:

		Yukon Properties		British Columbia Properties		Dominican Republic Properties		Total
Balance – January 31, 2011	\$	-	\$	-	\$	-	\$	-
Acquisition and staking		316,422		38,670		-		355,092
Balance – November 30, 2011	\$	316,422	\$	38,670	\$	-	\$	355,092
Acquisition and staking- cash		175,000		54,272		107,281		336,553
Acquisition and staking- shares		1,520,648		506,883		-		2,027,531
Balance – November 30, 2012	\$	2,012,070	\$	599,825	\$	107,281	\$	2,719,176

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4. Mineral Properties – Continued

f) Exploration and Evaluation Costs Summary

Details of exploration and evaluation costs incurred for the year ended November 30, 2012 and for the period from incorporation on January 31, 2011 to November 30, 2011 are as follows:

	Year ended November 30, 2012				Year ended November 30, 2011
	Yukon Properties	British Columbia Properties	Dominican Republic Properties	Total	Total
Exploration and evaluation					
Aircraft charter	\$ 7,715	\$ -	\$ -	\$ 7,715	\$ 31,523
Assays	12,651	4,516	-	17,167	107,976
Camp and general	17,084	26,439	-	43,523	20,304
Consulting	23,705	15,691	2,604	42,000	113,203
Courier, freight, and shipping	263	55	4	322	1,558
Drilling	-	-	-	-	972
Field equipment and supplies	49,079	1,499	468	51,046	9,642
Fuel	4,428	390	-	4,818	5,000
Geological	129,414	65,792	18,600	213,806	37,472
Geophysics	-	-	-	-	105,221
Helicopter	30,600	5,837	-	36,437	117,153
Legal	7,670	-	-	7,670	-
Maps, orthophotos, reports	18,478	8,822	1,404	28,704	4,963
Office	3,072	624	3,169	6,865	1,813
Salaries and benefit	73,796	31,799	-	105,595	-
Soil sampling	-	-	-	-	20,450
Transportation	1,327	2,202	1,088	4,617	6,158
Travel, meals, accommodation	5,820	8,404	14,929	29,153	36,207
Total exploration and evaluation	385,102	172,070	42,266	599,438	619,615
BC METC*	-	(28,639)	-	(28,639)	(24,854)
Net exploration and evaluation costs	385,102	143,431	42,266	570,799	594,761
Balance – beginning of year	473,260	121,501	-	594,761	-
Balance – end of period	\$ 858,362	\$ 264,932	\$ 42,266	\$ 1,165,560	\$ 594,761

*The Company's exploration and evaluation costs incurred in British Columbia are eligible for a British Columbia Mining Exploration Tax Credit ("BC METC"). The Company estimated that the amount receivable from BC METC for the exploration and evaluation costs incurred for the year ended November 30, 2012 is \$28,639 (from the period from incorporation on January 31, 2011 to November 30, 2011 - \$24,854).

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5. Shareholders' Equity

a) Authorized

Unlimited number of common shares without par value

b) Issued Share Capital

Share transactions for the period ended November 30, 2011:

- (i) On March 7, 2011, the Company completed a private placement of 3,720,000 units, consisting of 1,870,000 flow-through units and 1,850,000 non flow-through units, for cash proceeds of \$93,500 and \$92,500, respectively. Each flow-through unit consists of one flow-through common share and one flow-through share purchase warrant. Each flow-through warrant is exercisable to purchase one additional flow-through common share at a price of \$0.05 per share or if unexercised at the date of the closing of Initial Public Offering ("IPO"), at a price equal to the listing price of the IPO. Each non flow-through unit consists of one non flow-through common share and one non flow-through share purchase warrant. Each non flow-through warrant is exercisable to purchase one additional non flow-through common share at a price of \$0.05 per share or if unexercised at the date of the closing of Initial Public Offering ("IPO"), at a price equal to the listing price of the IPO. Both the flow-through and non flow-through warrants are exercisable until March 7, 2016.

The fair value of the flow-through share liability associated with the flow-through shares was determined to be \$21,000 based on the estimated fair value of the tax benefit passed on to the shareholders, therefore the remaining proceeds of \$72,500 were allocated \$50,750 to share capital and \$21,750 to warrants based on their relative fair value.

Of the cash proceeds received from non flow-through shares of \$92,500, \$64,750 was allocated to share capital and \$27,750 was allocated to warrants based on their relative fair value.

- (ii) On July 25, 2011, the Company completed a private placement of 4,362,000 non flow-through seed common shares at \$0.25 per share for cash proceeds of \$1,090,500.
- (iii) On November 30, 2011, the Company completed a private placement of 250,000 non flow-through seed common share at \$0.25 per share for cash proceeds of \$62,500 to directors and officers of the Company.
- (iv) On November 30, 2011, the Company received cash proceeds of \$93,500 from the exercise of 1,870,000 flow-through warrants for 1,870,000 flow-through common shares.

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5. Shareholders' Equity - Continued

b) Issued Share Capital - Continued

The fair value of the flow-through share liability associated with the flow-through shares was determined to be \$24,000 based on the estimated fair value of the tax benefit passed on to the shareholders.

- (v) On November 30, 2011, the Company received cash proceeds of \$85,000 from the exercise of 1,700,000 non flow-through warrants for 1,700,000 non flow-through common shares.

Share transactions for the year ended November 30, 2012:

- (vi) On December 7, 2011, the remaining 150,000 non flow-through warrants issued on March 7, 2011 were exercised at \$0.05 per warrant for cash proceeds of \$7,500.
- (vii) On January 10, 2012, the Company completed a private placement of 300,000 common shares at a price of \$0.30 per share for cash proceeds of \$90,000.
- (viii) On January 31, 2012, the Company completed a private placement of 2,550,666 common shares at a price of \$0.30 per share for cash proceeds of \$765,200.
- (ix) On May 24, 2012, the Company completed an initial public offering ("IPO") by issuing 5,500,000 common shares at \$0.40 per common share for gross proceeds of \$2,200,000 ("the Offering"). The Agent received:

- i. a marketing commission equal to \$176,000 which was paid in cash;
- ii. Agent's Options equal to 8% of the number of common shares issued in the Offering, being 440,000, with an exercise price of \$0.40 per share, expiring 24 months after listing on the TSX-V. These options were valued at \$93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

- iii. a corporate finance fee of \$40,000 plus HST of \$4,800, which was paid in cash;
- iv. reimbursement for expenses, including legal fees, third- party expenses and out of pocket expenses of \$18,884 including \$1,783 of HST.

Total cash share issuance costs, amounted to \$372,762 and mainly consisted of Agent's commission and corporate finance fee, legal, accounting, listing and filing fees.

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5. Shareholders' Equity – Continued

b) Issued Share Capital - Continued

- (x) On May 28, 2012, the Company also issued 5,068,827 common shares (the "Strategic Shares") to Strategic Metals Ltd. equal to 19.9% of the Company's issued and outstanding common shares immediately following the IPO pursuant to the mineral property option agreement.

c) Flow-through Share Liability

During the period ended November 30, 2011, the Company raised a total of \$187,000 through the issuance of flow-through shares (Note 5(b)(i) and Note 5(b)(iv)). During the period ended November 30, 2011, \$93,500 of these funds had been spent on qualifying flow through exploration expenditures. Accordingly, \$21,000 of the flow-through liability was recognized in other income in the period. As at November 30, 2012 the remaining funds of \$93,500 had been spent on qualifying flow through exploration expenditures and therefore \$24,000 of flow-through has been recognized in other income for the year ended November 30, 2012.

d) Warrants

Details of flow-through and non flow-through warrant activity for the year ended November 30, 2012 and the period ended November 30, 2011 are as follows:

November 30, 2011	Issued	Exercised	November 30, 2012	Exercise Price	Expiry Date
150,000	-	(150,000)	-	-	-

January 31, 2011	Issued*	Exercised**	November 30, 2011	Exercise Price	Expiry Date
-	3,720,000	(3,570,000)	150,000	\$0.05	March 7, 2016

* Of the 3,720,000 warrants issued during the period, 1,870,000 are flow-through warrants and 1,850,000 are non flow-through warrants.

** Of the 3,570,000 warrants exercised during the period, 1,870,000 are flow-through warrants and 1,700,000 are non flow-through warrants. As at November 30, 2011, there were 150,000 non flow-through warrants outstanding.

As at November 30, 2012, there are no warrants outstanding.

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5. Shareholders' Equity – Continued

e) Share Options

On December 5, 2011, the Company adopted a rolling share option plan, which authorizes the Board of Directors to grant options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option may not be less than market price of the Company's shares calculated on the date of the grant less the applicable discount. The options can be granted for a maximum term of 10 years. The Company's share option plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule at its discretion.

Details of activity in share purchase options for the year ended November 30, 2012 and the year ended November 30, 2011 are as follows:

January 31 and November 30, 2011	Issued	Exercised	November 30, 2012	Exercise Price	Expiry Date
-	440,000	-	440,000	\$0.40	May 29, 2014
-	1,930,000	-	1,930,000	\$0.40	May 29, 2017
-	150,000	-	150,000	\$0.46	August 21, 2017
-	150,000	-	150,000	\$0.40	September 5, 2017
-	2,670,000	-	2,670,000	\$0.40	

The weighted average remaining life of the 2,670,000 options outstanding is 4.03 years.

- (i) On May 29, 2012, the Company granted 440,000 options to its agent, equal to 8% of the number of common shares issued in the Initial Public Offering, with an exercise price of \$0.40 per share, expiring on May 29, 2014, 24 months after listing on the TSX-V. All options vested on the date of grant. On the date of grant, these options were valued at \$93,514 using the Black-Scholes option-pricing model with the following assumptions:

Stock price volatility	101.22%
Risk-free interest rate	1.16%
Expected life of options	2 years
Expected dividend yield	0.00%

- (ii) On May 29, 2012, the Company granted to its directors and officers 1,930,000 share options with an exercise price of \$0.40 per share expiring on May 29, 2017. The fair value of \$432,719 that fully vested on the grant date was recorded as share-based compensation in the statement of operations and included in reserves.

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5. Shareholders' Equity – Continued

e) Share Options - Continued

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	109.94%
Risk-free interest rate	1.38%
Expected life of options	5 years
Expected dividend yield	0.00%

(iii) On August 21, 2012, the Company granted 150,000 stock options to its consultant. The options have an exercise price of \$0.46 per share and expire on August 21, 2017. The fair value of \$31,500 was recorded as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	113.98%-118.91%
Risk-free interest rate	1.40%
Expected life of options	5 years
Expected dividend yield	0.00%

(iv) On September 5, 2012, the Company granted 150,000 stock options to its consultants. The options have an exercise price of \$0.40 per share and expire on September 5, 2017. The fair value of \$20,937 was recorded as share-based compensation in the statement of operations and included in reserves.

The following assumptions were used for the Black-Scholes valuation of stock options:

Stock price volatility	112.33%-119.48%
Risk-free interest rate	1.26%
Expected life of options	5 years
Expected dividend yield	0.00%

f) Escrow Shares

Pursuant to an escrow agreement dated February 1, 2012, 2,665,000 common shares were placed in escrow. 10% of the escrowed shares (266,500 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of November 30, 2012, there were 1,998,750 common shares remaining in escrow.

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5. Shareholders' Equity – Continued

f) Escrow Shares – Continued

Pursuant to an escrow agreement dated May 24, 2012, 3,846,367 Strategic Shares were placed in escrow ("Strategic Escrowed Shares"). 10% of the Strategic Escrowed Shares (384,637 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of November 30, 2012, there were 2,884,775 Strategic Shares remaining in escrow.

6. Segmented Information

a) Operating Segment

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada and the Dominican Republic.

b) Geographic Segments

The Company only had one geographic segment for the period from incorporation on January 31, 2011 to November 30, 2011 which is in Canada. The Company's geographic information for year ended November 30, 2012 are as follows:

As at November 30, 2012	Canada	Dominican Republic	Total
<u>Assets</u>			
Mineral properties	\$ 2,611,895	\$ 107,281	\$ 2,719,176
Other assets	1,537,691	22,330	1,560,021
Total	\$ 4,149,586	\$ 129,611	\$ 4,279,197

For the year ended November 30, 2012	Canada	Dominican Republic	Total
<u>Expenses</u>			
Exploration and evaluation	\$ 528,533	\$ 42,266	\$ 570,799
Property investigation cost	-	171,173	171,173
Share-based compensation	485,156	-	485,156
Other operating expenses	630,609	546	631,155
Other (income) expenses	(36,199)	-	(36,199)
Net loss for the year	\$ 1,608,099	\$ 213,985	\$ 1,822,084

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For the Year Ended November 30, 2012 and the Period from Incorporation on January 31, 2011 to November 30, 2011

In Canadian Dollars

7. Income Taxes

(a) Current Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	November 30, 2012	November 30, 2011
Net loss for the period	\$ (1,822,084)	\$ (633,358)
Income tax recovery at statutory rates	(456,594)	(167,840)
Tax Effect of:		
Permanent differences	190,730	19,213
Difference between current and future tax rate	882	8,413
Others	(30,926)	(37,595)
Benefit of tax losses not recognized	389,099	177,809
Deductible costs charged to equity	(93,191)	-
Income tax expense	\$ -	\$ -

(b) Deferred Taxes

Deferred tax assets have not been recognized in respect of the following items:

	November 30, 2012	November 30, 2011
Mining tax credit	\$ 93,629	\$ 50,126
Non-capital loss carry forwards	752,242	59,597
Other deductible temporary differences	1,234,504	501,261

At November 30, 2012, the Company has Canadian non-capital losses of \$752,242 (2011 - \$59,597) which, if not utilized to reduce income in future periods, expire through 2032.

The Company issued flow-through shares in the prior year. The effective date of the renouncement of the exploration expenditures incurred in the period is December 31, 2011. No deferred income tax asset related to mineral property exploration costs has been recognized in the period ending November 30, 2011 and 2012 to the extent that exploration costs were renounced to the shareholders of the flow-through shares.

Deferred tax assets have not been recognized in the period because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

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8. Related Party Transactions

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

- (a) During the year ended November 30, 2012, the Company paid \$123,750 (2011 - \$5,625) for geological consulting fees and HST of \$14,850 (2011 - \$675) to the Interim President and CEO and Vice President of Exploration of the Company.
- (b) During the year ended November 30, 2012, the Company paid \$28,500 (2011 - \$4,750) in accounting fees, \$28,053 (2011 - \$6,000) in office and administration expense and \$6,786 (2011 - \$1,290) of HST to a company partially controlled by a director of the Company.
- (c) During the year ended November 30, 2012, the Company paid \$146,192 of salaries and wages (2011 - \$12,917) and \$77,500 (2011 - \$Nil) of severance fees to the Company's former President and CEO. Severance fees were recorded in salaries and wages on the statement of loss. Of the total \$146,192 (\$2011 - \$12,917) of salaries and wages, \$74,563 (2011 - \$12,917) was recorded as salaries and benefits, \$61,648 (2011 - \$Nil) was recorded as exploration and evaluation costs and \$9,981 (\$2011 - \$Nil) was recorded as property investigation costs.
- (d) During the year ended November 30, 2012, the Company paid \$20,000 (2011 - \$Nil) in salaries and wages to the its CFO.
- (e) During the year ended November 30, 2012, the Company paid a total of \$24,000 (2011 - \$Nil) plus HST of \$1,440 (2011 - \$Nil) to the four directors of the Company, of which \$6,720 (2011 - \$Nil) was included in accounts payable and accrued liabilities.
- (f) Total fair value of the share-based payments to directors and officers, being key management personnel, is \$269,048 (2011 - \$Nil) for the year ended November 30, 2012.

9. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements as at November 30, 2012.

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10. Financial Instruments

The classification of the financial instruments as well as their carrying values as at November 30, 2012 is shown in the table below:

Financial assets:

Loans and receivables, measured at amortized cost:

Cash and cash equivalents, amounts receivable and tax credit receivable	\$	1,439,963
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Financial liabilities, measured at amortized cost:

Accounts payable and accrued liabilities	\$	59,514
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a) Fair Values

The fair value of cash and cash equivalents, amounts receivable, tax credit receivable and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, amounts and tax credit receivable. Cash and cash equivalents are held with a major Canadian financial institution and the receivables are from Government entities. Management is of the view that all amounts are fully collectible.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

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11. Financial Instruments – Continued

e) Political Risk

The Company recently acquired a company that is currently applying for the rights to properties in the Dominican Republic. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

f) Foreign Currency Fluctuation Risk

The Company has vendors in both Canada and Dominican Republic; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions.

12. Subsequent Events

- a) On December 3, 2012, the Company granted 150,000 stock options at an exercise price of \$0.25 until December 3, 2017.
- b) On January 17, 2012, the Company granted 150,000 stock options at an exercise price of \$0.25 until January 17, 2018.
- c) On February 11, 2013, the Company entered into a consulting agreement with Grandich Publications LLC ("Grandich") whereby Grandich will provide investor relation services to the Company for three months for the payment of C\$2,000 per month. The Company granted 100,000 stock options to Grandich to purchase up to 100,000 common shares of the Company at a price of C\$0.40 until February 11, 2015. The consulting agreement is subject to the approval of the TSX-V
- d) On February 18, 2013, the Company signed an option agreement with Gunpoint Exploration Ltd. ("Gunpoint") whereby the Company will acquire 100% interest in the Cecilia gold-silver project in northeastern Sonora state, Mexico.

As part of the agreement, the Company will have to make the following cash payments and issue the following common shares to Gunpoint:

- \$100,000 and 175,000 shares at the completion of due diligence on or before June 18, 2013;
- \$125,000 and 175,000 shares on or before the 1st anniversary of initial payment; and
- \$175,000 and 175,000 shares on or before the 2nd anniversary of initial payment.

The property is subject to a 1% NSR payable to the Mexican Government; for three small inlier concessions only.