



Q2

SECOND QUARTER REPORT  
JUNE 30, 2007

**PEAK GOLD LTD. (Formerly GPJ Ventures Ltd.)**  
**Management's Discussion and Analysis**  
For the Seven Months Ended June 30, 2007

*This Management's Discussion and Analysis should be read in conjunction with Peak Gold's unaudited interim consolidated financial statements for the three months and seven months ended June 30, 2007 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward looking statements. All figures are in United States dollars, tabular amounts are in thousands, unless otherwise noted. This Management's Discussion and Analysis has been prepared as of August 21, 2007.*

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**The Company completed the acquisition of Amapari and Peak Mines for consideration of 155 million shares with a value of US\$100 million and US\$200 million in cash. The results of operations of the acquired mines are included in the consolidated interim financial statements of the Company from the date of acquisition for Amapari and Peak Mines, which is April 3, 2007, and April 27, 2007 respectively.**

*Second Quarter Highlights*

- **Gold production was 42,500 ounces**
- **Gold sales of 48,000 ounces**
- **Total cash costs were \$343 per ounce (net of by-product copper sales) <sup>(1)</sup>**
- **Earnings from operations for Peak Mines was \$5.9 million (two month period) Loss from operations for Amapari was \$2.5 million (operations and gold recoveries were adversely affected by the rainy season which included record rain fall).**
- **Net loss for the period was \$1.3 million, which includes \$4.1 million in stock-based compensation charges.**
- **Consolidated operating cash flows were \$5.8 million**

(1) The Company has included a non-GAAP performance measure, total cash cost per gold ounce, throughout this document. The Company reports total cash costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning, and is a non-GAAP measure. The Company follows the recommendations of the Gold Institute standard. The Company believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

## *Background*

Peak Gold Ltd. is a new mid-tier gold producer with two operating assets: Peak Mines in New South Wales, Australia and Amapari mine in Amapá State, Brazil. The Company is well positioned for future growth.

The Company was originally incorporated as Imperial PlasTech Inc. under the Ontario Business Corporation Act. On November 13, 2006 the Company continued into British Columbia under the B.C. Corporation's Act and changed its name to GPJ Ventures Ltd.

On February 22, 2005, the Company announced that the Court had appointed an Interim Receiver for the Company and on March 1, 2005 the Receiver assigned the Company into bankruptcy and a trustee (the "Trustee") was appointed.

The Company completed a Proposal to Creditors under the *Bankruptcy and Insolvency Act (Canada)* and it was approved by the creditors of the Company on February 17, 2006 and by the Ontario Superior Court of Justice on March 8, 2006. As a result, the bankruptcy of the Company was annulled effective April 13, 2006, resulting in the Company emerging from bankruptcy. In conjunction with the emergence, a new board of directors was appointed.

Subsequently, the Company commenced seeking opportunities in the natural resource sector and on April 3, 2007 completed an agreement to purchase two producing mines from Goldcorp Inc. (see "*Gold Mine Acquisitions*" below) and changed its name to Peak Gold Ltd.

The Company changed its fiscal year end from November 30 to December 31, commencing with the thirteen month period ending December 31, 2007. This change was implemented to coincide with the year ends of the mines acquired.

## *Business Combination*

On February 15, 2007, the Company entered into an agreement with Goldcorp Inc. ("Goldcorp") to acquire Goldcorp's Amapari mine in Brazil and Peak Mines in Australia. The Company completed the acquisition of Amapari and Peak Mines on April 3, 2007 and April 27, 2007, respectively. The acquisition of the Peak Mines occurred at a later date due to regulatory delays in Australia. In consideration for the acquisition of Amapari and Peak Mines, the Company issued to Goldcorp 155 million common shares with a value of \$100 million and paid \$200 million in cash.

The business combination has been accounted for as a purchase transaction, with the Company the acquirer and Amapari and Peak Mines the acquiree. The results of the operations of the acquired assets are included in the consolidated interim financial statements of the Company from the date of acquisition for Amapari and Peak Mines, which is April 3, 2007 and April 27, 2007 respectively.

The purchase consideration has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed, based on management's best estimates and taking into account all available information at the time the interim consolidated financial statements were prepared. The Company will continue to review information and perform further analysis with respect to the assets of Amapari and Peak Mines, including an independent valuation, prior to finalizing the allocation of the purchase price. It is anticipated that it will result in a change to the value attributable to the tangible assets.

In order to finance the acquisition and to provide working capital, the Company completed a financing of 435 million subscription receipts at a price of CDN \$0.75 per subscription receipt for gross proceeds of CDN \$326 million, on April 3, 2007. The subscription receipts were immediately converted into units of the Company with each unit consisting of one common share of the Company and one half of one common share purchase warrant, with each whole purchase

warrant entitling the holder to purchase an additional common share of the Company at a price of CDN \$1.50 per share until April 3, 2012.

Coinciding with the acquisition, the Company granted directors, officers, employees and consultants of the Company 20,350,000 stock options, exercisable into common shares of the Company at CDN \$0.93 per share with a life of five years. Additionally, the Company issued a transaction success fee of 5 million common shares of the Company to Endeavour Financial (“Endeavour”), a company of which a former officer is a director of the Company.

## Selected Financial Information

(US dollars in thousands)

	Three Months Ended June 30, 2007 (note 1)	Three Months Ended			
		Four Months ended March 31, 2007 (Note 3)	November 30, 2006 (note 4)	May 31, 2006 (note 4)	February 28, 2006 (note 4)
<b>Revenues</b>	\$ 39,442	-	-	-	-
<b>Gold produced</b>	42,500	-	-	-	-
<b>Average Realized Price (per ounce)</b>	\$ 662	-	-	-	-
<b>Depreciation and depletion</b>	\$ 9,481	-	-	-	-
<b>Corporate administration</b>	\$ 5,290	\$ 67	\$ 247	\$ 162	\$ 123
<b>(Loss) earnings from operations</b>	\$ (1,525)	\$ (67)	\$ (247)	\$ (162)	\$ (123)
<b>Interest and other income</b>	\$ 1,651	\$ 14	\$ nil	\$ 1	\$ nil
<b>(Loss) net earnings</b>	\$ (1,289)	\$ (53)	\$ 10,188	\$ 10,133	\$ (123)
<b>(Loss) earnings per share</b>	\$ nil	\$ nil	\$ 0.09	\$ 0.10	\$ nil
<b>Cash flow from (to) operating activities</b>	\$ 5,856	\$ (3)	\$ (63)	\$ (206)	\$ nil
<b>Total Cash costs (per gold ounce) (note 2)</b>	\$ 343	-	-	-	-
<b>Cash and Cash Equivalents</b>	\$ 77,388	\$ 643	\$ 328	\$ 439	\$ nil
<b>Total Assets</b>	\$ 450,099	\$ 1,110	\$ 342	\$ 458	\$ nil

- (1) Includes operating results of Amapari and Peak Mines from April 3, 2007 and April 27, 2007 respectively, to June 30, 2007.
- (2) The calculation of total cash costs per ounce of gold for Peak Mines is net of by-product copper sales revenue.
- (3) The Company changed its fiscal year end from November 30 to December 31, commencing with the thirteen month period ending December 31, 2007. As a result, the quarter ended March 31, 2007 is a four month period.
- (4) In April 2006, the Company emerged from bankruptcy (refer to "background" above). The Company has only presented financial information for the period of February 28, 2006 to June 30, 2007 as transactions prior to the Company's emergence from bankruptcy are not deemed significant.

## **Overview of the financial results**

Prior to the acquisition of Amapari and Peak Mines, the Company did not generate revenues from operations and the Company had minimal transactions. The acquisition resulted in a substantial increase in revenues, cash flows and assets. Due to the limited activity of the Company prior to the acquisition of the mines, the Company has not prepared an analysis based on comparatives from prior quarters as it would not provide meaningful insight into current operations.

**Operation Review**  
**Amapari, Brazil**  
(US dollars in thousands)

<b>Operating Data</b>	<b>June 30, 2007<sup>(3)</sup></b>	<b>Three Months Ended</b>			<b>June 30, 2006</b>
		<b>March 31, 2007</b>	<b>December 31, 2006</b>	<b>September 30, 2006</b>	
Tonnes of ore mined	<b>621,900</b>	642,000	546,900	555,000	548,100
Tonnes of waste removed	<b>1,494,600</b>	2,481,000	3,036,400	3,289,600	3,220,900
Ratio of waste to ore	<b>2.4</b>	3.9	5.6	5.9	5.9
Tonnes of ore processed	<b>461,400</b>	494,000	390,100	411,100	475,600
Average mill head grade (grams/tonne)	<b>2.49</b>	2.58	2.68	2.04	2.00
Average recovery rate (%) <sup>(1)</sup>	<b>68%</b>	72%	62%	64%	68%
Gold (ounces)					
– Produced <sup>(2)</sup>	<b>22,700</b>	27,100	27,600	17,300	18,900
– Sold	<b>23,200</b>	28,100	25,300	17,900	19,700
Average realized gold price (per ounce)	\$ 666	\$ 653	\$ 616	\$ 623	\$ 630
Total cash costs (per ounce)	\$ 539	\$ 456	\$ 492	\$ 593	\$ 572
<b>Financial Data</b>					
Revenues	<b>\$15,470</b>	\$ 18,300	\$ 15,600	\$ 11,200	\$ 12,300
Loss from operations	<b>\$(2,512)</b>	\$ (700)	\$ (173,400) <sup>(4)</sup>	\$ (6,500)	\$ (6,700)

- (1) Gold recovery is determined when the individual leach pads are reclaimed and production is reconciled.
- (2) Tonnes of ore processed each quarter do not necessarily correlate to ounces produced during the quarter, as there is a time delay between placing tonnes on the leach pad and pouring ounces of gold.
- (3) Amapari's operations are included in Peak Gold's operating results for the period subsequent to April 3, 2007, the date of the acquisition. Prior quarter information has been provided for comparative purposes only.
- (4) Loss from operations includes a \$174.7 million impairment charge by Goldcorp against its investment in Amapari as a result of a revision downward of its proven and probable reserves to 485,000 ounces of gold as at December 31, 2006, reflecting the exclusion of sulfide mineralization previously included.

Amapari's gold production for the quarter increased from 18,900 ounces in 2006 to 22,700 ounces in 2007. The higher gold production is the result of higher gold grades mined combined with the results of initiatives taken to improve the mining grade control.

Mine operations and gold recovery for the second quarter were adversely affected by the rainy season. In 2007, Amapari experienced record rainfall during the months of March and April. Heavy rains had a negative impact on gold recovery from the heap leach process and also reduced the availability of mine fleet equipment, thus reducing tonnage milled.

Total cash costs for the quarter increased to \$539 per ounce from \$456 per ounce in the prior quarter due to lower production and the strong Brazilian real, which has appreciated against the United States dollar. Cash costs have improved from the same period in 2006 due to higher production. This was partially offset by the strong Brazilian real.

The company is currently working on a number of initiatives in significant areas that will improve the cost and efficiency of its mining operations at Amapari:

The Company is examining the viability of processing the sulphide ores that are not currently recognized in the Company's published statement of reserves.

Exploration: The Company is continuing exploration in areas adjacent to the mine with encouraging results.

Cost Reduction: The Company commenced a cost reduction program in April 2007 which is expected to result in significant cost reductions mainly in material supply, transportation, and manpower

## Peak Mines, Australia

(US dollars in thousands)

Operating Data	Two Months Ended	Three Months Ended				
	June 30, 2007 <sup>(2)</sup>	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Tonnes of ore milled	<b>132,241</b>	164,962	172,500	175,100	173,300	180,700
Average mill head grade						
– Gold (grams/tonne)	<b>5.29</b>	5.31	6.41	7.86	4.99	4.90
– Copper (%)	<b>0.78%</b>	0.75%	0.61%	0.52%	0.49%	0.61%
Average recovery rate						
– Gold (%)	<b>88%</b>	88%	88%	91%	83%	90%
– Copper (%)	<b>77%</b>	76%	75%	72%	58%	79%
Produced						
– Gold (ounces)	<b>19,800</b>	<b>24,600</b>	<b>31,200</b>	40,500	23,200	25,500
– Copper (thousands of pounds)	<b>1,748</b>	<b>2,059</b>	<b>1,751</b>	1,450	1,103	1,907
Sold						
– Gold (ounces)	<b>24,800</b>	30,800	24,800	40,000	12,900	26,300
– Copper (thousands of pounds)	<b>2,776</b>	2,776	0	1,590	0	2,114
Average realized price						
– Gold (per ounce)	<b>\$672</b>	\$674	\$652	\$597	\$526	\$631
– Copper (per pound)	<b>\$3.19</b>	\$3.19	\$ -	\$3.52	\$ -	\$3.66
Total cash costs per gold ounce <sup>(1)</sup>	<b>\$160</b>	\$234	\$311	\$192	\$398	\$193
<b>Financial Data</b>						
Revenues	<b>\$23,970</b>	\$28,070	\$14,200	\$27,900	\$6,300	\$22,900
Earnings from operations	<b>\$5,719</b>	\$6,319	\$7,100	\$8,200	\$(1,000)	\$7,100

(1) The calculation of total cash costs per ounce of gold is net of by-product copper sales revenue.

(2) Peak Mines operations are included in Peak Gold's operating results for the period subsequent to April 27, 2007, the date of the acquisition. Prior quarter information is presented for information purposes only

The Peak Mines produced 19,800 ounces of gold and 1,748,000 pounds of copper during the two months ended June 30, 2007. Mill throughput of 132,241 tonnes reflects increasing mill capacity, which is now 93 tph compared to 85 tph in 2006.

Total cash cost for the period of April 27, 2007 to June 30, 2007 was \$160 per ounce.

The total cash cost for the full quarter was \$234 per ounce. The cash cost is higher than the second quarter in 2006 due to the timing of copper concentrate sales and appreciation of the Australian dollar against the United States dollar. In addition, the production and cash cost were also negatively impacted by a mill shutdown for 10 days caused by a motor failure, resulting in a decrease of approximately 21,000 tonnes milled.

The Company is working towards completing a surface decline at the mine. The capital expenditure expected for this project is \$2.6 million. This decline is expected to provide the following benefits: an alternative egress to the mine for both personnel and materials; access to

additional ore resources; allow equipment to be shared among operations; reduce risk of production loss due to shaft outage; and allow cost savings in equipment movements and supplies in and out of the mine.

## Review of Financial Results:

Depreciation and depletion, which relates to mining activities, was \$9.5 million for the quarter (seven months ended June 30, 2007 - \$9.5 million). Depreciation and depletion was \$3.8 million for Amapari and \$5.7 million for Peak Mines.

Corporate administration was \$5.3 million in the second quarter of 2007 (seven months ended June 30, 2007 - \$5.4 million). The most significant expense included in corporate administration is stock-based compensation expense of \$4.1 million for the three and seven months ended June 30, 2007.

A total of \$0.9 million was invested in exploration for Amapari and Peak Mines during the quarter (seven months ended June 30, 2007 - \$0.9 million)

During the current period, the Company earned \$1.6 million (seven months ended June 30, 2007 - \$1.7 million) in interest income of which the majority was earned on funds received from the private placement in April of net cash proceeds of CDN \$309.9 million (US \$267.5 million).

### *Non-GAAP Measure – Total Cash Cost per Gold Ounce Calculation*

The Company reports total cash costs on a sales basis. In the gold mining industry, this is a common performance measure but does not have any standardized meaning, and is a non-GAAP measure. The Company follows the recommendations of the Gold Institute standard. The Company believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is not intended to provide additional information and should not be considered in isolation or as substitute for measures of performance prepared in accordance with GAAP. The following table provides a reconciliation of total cash costs per ounce to the financial statements:

	<b>Three and seven months ended June 30, 2007</b>	
Operating Expenses per financial statements	\$	25,289
Treatment and refining charges on concentrate sales	\$	1,884
By-product copper sales	\$	(9,145)
Non-cash adjustments	\$	(1,557)
<b>Total cash costs</b>	<b>\$</b>	<b>16,471</b>
Ounces of gold sold		47,997 oz
<b>Total cash costs per ounce of gold</b>	<b>\$</b>	<b>343</b>

### *Liquidity and Capital Resources*

As of June 30, 2007, the Company held cash and cash equivalents of \$77.4 million (November 30, 2006 - \$0.3 million) and working capital of \$97.3 million (November 30, 2006 - \$0.3 million). The substantial increase in cash can be attributed to net cash proceeds of \$267.5 million received for a private placement in April, proceeds of \$1.4 million received on the exercise of warrants and stock options, and cash provided from operating activities of \$6.2 million. The increase in cash was partially offset by the cash payment (net of cash received) of \$189.8 million for Amapari and Peak Mines.

The Company has over \$67 million in its treasury which is invested in highly liquid financial instruments. These investments consist mainly of Scotia Bank term deposits.

In the opinion of management, the working capital at June 30, 2007, together with cash flows from operations, are sufficient to support the Company's normal operating requirements on an ongoing basis.

During the quarter ended June 30, 2007, the Company generated cash flows of \$5.8 million. Approximately \$2.6 million and \$3.0 million were generated from operations at the Amapari and Peak Mines, respectively.

During the three months ended June 30, 2007, the Company invested a total of \$8.3 million in mining interests, including \$1.4 million at Amapari and \$6.9 million at Peak.

As of August 21, there were 725,791,396 common shares of the Company outstanding. The Company had 22,005,000 stock options outstanding under its share option plan. In addition, the Company had 217,500,000 share purchase warrants outstanding (exchangeable for 217,500,000 common shares).

### *Commitments*

Commitments exist for expenditures for mining interests of approximately \$2.8 million at Peak Mines and \$0.7 million at Amapari.

### *Related Party Transactions*

During the three and seven month period ended June 30, 2007, the Company paid Endeavour \$0.1 million in advisory fees and rent. As of June 30, 2007, deferred acquisition costs include amounts totaling approximately \$3.2 million for shares issued to Endeavour as a transaction success fee and \$.1 million in paid in expenses.

Accounts payable and accrued liabilities include \$0.3 million owing to Goldcorp Inc. for amounts paid by Goldcorp on behalf of the Company.

### *Off-Balance Sheet Transactions*

The Company has no off-balance sheet arrangements.

### *Risks and uncertainties*

Readers of this Management Discussion and Analysis should give careful consideration to the information included or incorporated by reference in this document and the Company's interim consolidated financial statements and related notes. Significant risk factors for the Company are metal prices, currency fluctuations, government regulations, foreign operations, environmental, ability to obtain additional financing, risks relating to recent acquisitions, and dependence on management.

### *Metals Prices*

Gold and copper prices have a direct impact on the Company's profitability. Metal prices are affected by a variety of factors including interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metal producing countries throughout the world.

### *Currency Fluctuations*

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Gold and copper are sold in US dollars and the Company's costs are incurred principally in Canadian dollars, Australian dollars, and Brazilian reals. The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold and copper production and capital expenditure in US dollar terms.

### *Government Regulations*

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could have an adverse effect on the Company's financial position and results of operations.

### *Foreign Operations*

The Company's operations are currently conducted in Brazil and Australia, and as such the Company's operations are exposed to various levels of political, economic, and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to, extreme fluctuations in currency exchange rates; high rates of inflation; labor unrest; exploration and fluctuations in currency and exchange rates; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in these countries could adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations, and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

#### *Environmental*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent that such approvals are required and not obtained, the Company could be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

#### *Additional Financing*

The mining, processing, development, and exploration of our projects may require additional external financing. Failure to obtain sufficient financing could result in the delay or indefinite postponement of exploration, development or production on any or all of our projects. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable.

#### *Risk Relating to Recent Acquisitions*

The Company recently completed the acquisition of the Peak mine and Amapari mine. There can be no assurances that the benefits anticipated from these acquisitions will be realized.

### *Dependence on Management*

The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

### *Adoption and Change in Accounting Policies*

During the period, the Company adopted various accounting policies upon completion of the acquisition of the Amapari mine and Peak mine. These accounting policies have been disclosed in Note 2 to the unaudited interim consolidated financial statements.

The Company adopted the provisions of Sections 3855, Financial Instruments – Recognition and Measurement, and 1530, Comprehensive Income, on December 1, 2006 as described in Note 2 to the audited interim consolidated financial statements.

### *Critical Accounting Policies and Estimates*

#### Inventories

Finished goods, work-in-progress, heap leach ore and stockpile ore are valued at the lower of average production costs or net realizable value.

The Company records the cost of mining ore stacked in its leach pads and in process at one of its mines as work-in-progress inventory, and values work-in progress inventory at lower of cost ore at estimated net realizable value. These costs are charged to earnings and included in cost of sales on the basis of ounces of gold recovered. The assumptions used in the valuation of work-in-process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in these mill circuits and an assumption of the gold priced expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories, which would reduce the Company's earning and working capital.

#### Mineral Properties

The Company records mineral property acquisition costs and mine development costs at cost. In accordance with Canadian generally accepted accounting principles, the Company capitalizes preproduction expenditures net of revenues received, until the commencement of commercial production.

A significant portion of the Company's mineral property, plant and equipment is depreciated and amortized on a unit-of-production basis. Under the unit-of-production method, the calculation of depreciation, depletion and amortization of mineral property, plant and equipment is based on the amount of reserves expected to be recovered from each location. If these estimates of reserves price to be inaccurate, or if the Company revises its mining plan for a location, due to reductions in the price of gold or otherwise, to reduce the amount of reserves expected to be recovered, the Company could be required to write-down the recorded value of the mineral property, plant and equipment, or to increase the amount of future depreciation, depletion and amortization expense, both of which would reduce the Company's earnings and net assets.

In addition, generally accepted accounting principles require the Company to consider at the end of each accounting period whether or not there has been an impairment of capitalized mineral property, plant and equipment. For producing properties, this assessment is based on whether factors that may indicate a need for a write-down are present. If the Company determines there has been an impairment because its prior estimates of future cash flows have proven to be

inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves expected to be received or otherwise, or because the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write-down the recorded value of its mineral property, plant and equipment, which would reduce the Company's earning and net assets.

### Reclamation Obligations

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with exiting reclamation standards. Generally accepted accounting principles require the Company to recognize the fair value of a liability for an asset retirement obligation, such as site closure and reclamation costs, in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increases the carrying value of the related assets by the same amount. Subsequently, these asset retirement costs are amortized to expense over the life of the related asserts using the unit-of-production method. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs). If these estimates of costs or of recoverable mineral resources prove to be inaccurate, the Company could be required to write down the recorded value of its mineral property or increase the amount of future depreciation and accretion expense, or both, all which would reduce the Company's earnings and net assets.

### Future Tax Assets and Liabilities

The Company recognizes the future tax benefit related to future income tax assets and set up a valuation allowance against any portion of those assets that it believes will, more likely than not, fail to be realized. Assessing the recoverability of future income tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. In circumstances where the applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that the changes in these estimates could occur that materially affect the amount of future income tax liabilities recorded at the balance sheet date.

### Purchase Accounting for Amapari and Peak Mines

The Company accounted for the acquisition of the Peak mine and Amapari mine as a purchase business combination. The cost of the acquisition will be allocated to the assets acquired and liabilities assumed based on the fair value at the date of acquisition. The estimation of fair value for mining interests takes into account expected future cash flows associated with the life of mine plans. This allocation is not yet complete due to inherent complexities in the valuation process and revisions that may impact earnings prospectively in the future may be required.

### Stock based compensation

CICA Handbook section 3870 Stock-based Compensation and Other Stock-Based Payments establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Compensation expense is determined using the Black-Scholes Option Pricing Model based on estimated fair values of all stock-based awards at the date of grant and is expensed to operations over each award's vesting period. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

## *Financial Instruments*

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company does not use interest rate contracts or other derivative financial instruments to manage the risks associated with its operations, and therefore, in the normal course of business is inherently exposed to currency, interest rate and commodity price fluctuations.

## OUTLOOK

The Company expects to produce approximately 220,000 ounces of gold at an average cash cost of \$340 per ounce for the 12 months ended December 31, 2007. Capital expenditures are forecasted at \$22.5 million for the second half of the year.

## CONTROLS AND PROCEDURES

### *Disclosure Controls and Procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's interim filings (as such term is defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' annual and interim filings is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

### *Internal Controls and Procedures*

The Company has not yet completed its evaluation over the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the seven month period ended June 30, 2007 for the Amapari and Peak operations recently acquired. However, the Company does not anticipate any significant deficiencies in the design of these controls. The Company has completed its evaluation over the design of its internal controls and procedures over financial reporting at the corporate level. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

### *Limitations on Controls and Procedures*

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further a design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented and detected. These inherent limitations include the realities that

judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override control. The design of any systems controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*This Management's Discussion and Analysis contains "forward-looking statements", within the meaning of applicable Canadian Securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and copper, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the integration of acquisitions; risks related to international operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and copper; possible variations in ore reserves, grade or recovery rates; failure of plant; equipment or processes to operate as anticipated; accidents; labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk and uncertainties" included in this document and the section entitled "Risk Factors in the Company's filing statement dated April 2, 2007 and filed on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that would cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such statements will prove to be accurate. As actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking that are incorporated by reference herein, except in accordance with applicable securities laws.*

## CAUTIONARY NOTE REGARDING RESERVES AND RESOURCES

*Readers should refer to continuous disclosure documents filed by the Company since April 3, 2007 available at [www.sedar.com](http://www.sedar.com), for further information on mineral reserves and resources, which is subject to the qualifications and notes set forth therein.*

Interim consolidated financial statements of

**Peak Gold Ltd.**

(formerly GPJ Ventures Ltd.)

June 30, 2007

(Unaudited)

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

June 30, 2007

## Table of contents

Consolidated statements of operations, other comprehensive income and deficit .....	1
Consolidated balance sheets .....	2
Consolidated statements of cash flows .....	3
Notes to the consolidated financial statements .....	4-15

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Consolidated statements of operations, other comprehensive income and deficit Three and seven months ended June 30

(Expressed in thousands of U.S. dollars, except share and per share amounts)

(Unaudited)

	Three months ended June 30, 2007	Three months ended May 31, 2006	Seven months ended June 30, 2007	Six months ended May 31, 2006
	\$	\$	\$	\$
Revenues	39,442	-	39,442	-
Operating expenses	(25,289)	-	(25,289)	-
Depreciation and depletion	(9,481)	-	(9,481)	-
Earnings from mine operations	4,672	-	4,672	-
Corporation administration (i)	(5,290)	(162)	(5,359)	(161)
Exploration	(907)	-	(907)	-
Loss from operations	(1,525)	(162)	(1,594)	(161)
Other income (expense)				
Interest and other income	1,651	1	1,665	1
Interest and finance fees	(85)	-	(85)	-
Gain on foreign exchange	168	-	169	-
Earnings (loss) before gain on disposal of subsidiaries and discontinued operations	209	(161)	155	(160)
Gain on disposal of subsidiaries	-	10,413	-	10,329
(Loss) earnings from continuing operations	209	10,252	155	10,169
Bankruptcy and receivership fees	-	119	-	242
(Loss) earnings from discontinued operations	209	10,133	155	9,927
Income and mining taxes	(1,498)	-	(1,498)	-
<b>Net (loss) earnings and other comprehensive income</b>	<b>(1,289)</b>	<b>10,133</b>	<b>(1,343)</b>	<b>9,927</b>
Deficit, beginning of period	(23,532)	(33,625)	(23,478)	(33,419)
<b>Deficit, end of period</b>	<b>(24,821)</b>	<b>(23,492)</b>	<b>(24,821)</b>	<b>(23,492)</b>
Loss per share - basic and diluted	(0.00)	0.10	(0.00)	0.10
Weighted average number of shares outstanding - basic and diluted	702,390,050	100,110,635	367,971,290	100,056,616
(i) Stock option expense (a non-cash item included in corporation administration)	(4,084)	-	(4,084)	-

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Consolidated balance sheets

(Expressed in thousands of U.S. dollars)

(Unaudited)

	June 30, 2007	November 30, 2006
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	77,388	328
Accounts receivable	6,289	14
Inventories and stockpiled ore	29,990	-
Other	1,449	-
	<b>115,116</b>	<b>342</b>
Mining interests (Note 3)	326,726	-
Other	8,257	-
	<b>450,099</b>	<b>342</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	16,200	13
Income and mining taxes payable	1,588	-
	<b>17,788</b>	<b>13</b>
Reclamation and closure cost obligations	18,608	-
Future income and mining taxes	35,730	-
Other	2,748	-
	<b>74,874</b>	<b>13</b>
<b>Shareholders' equity</b>		
Common shares (Note 4 (b))	339,817	25,313
Contributed surplus (Note 4 (b))	61,795	59
Accumulated other comprehensive loss	(1,566)	(1,566)
Deficit	(24,821)	(23,477)
	<b>375,225</b>	<b>329</b>
	<b>450,099</b>	<b>342</b>

Commitments and contingencies (Note 8)

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Consolidated statements of cash flows Three and seven months ended June 30

(Expressed in thousands of U.S. dollars)

(Unaudited)

	Three months ended June 30, 2007	Three months ended May 31, 2006	Seven months ended June 30, 2007	Six months ended May 31, 2006
	\$	\$	\$	\$
<b>Operating activities</b>				
Net (loss) earnings	(1,289)	10,252	(1,343)	10,169
Net loss from discontinued operations	-	(119)	-	(242)
Items not involving cash				
Reclamation expenditure	720	-	720	-
Unrealized foreign exchange loss	674	13	641	17
Depreciation and depletion	9,481	-	9,481	-
Stock option expense	4,084	60	4,084	60
Future income and mining taxes	(132)	-	(132)	-
Gain on disposal of subsidiaries	-	(10,413)	-	(10,329)
Other	337	-	336	-
Change in non-cash working capital (Note 6)	(8,019)	1	(7,563)	125
	<b>5,856</b>	<b>(206)</b>	<b>6,224</b>	<b>(200)</b>
<b>Investing activities</b>				
Mining interests	(8,308)	-	(8,308)	-
Acquisition, net of cash acquired	(189,315)	-	(189,759)	-
	<b>(197,623)</b>	<b>-</b>	<b>(198,067)</b>	<b>-</b>
<b>Financing activities</b>				
Common shares issued on exercise of warrants/options	998	645	1,389	639
Common shares issued in private placement, net	267,514	-	267,514	-
	<b>268,512</b>	<b>645</b>	<b>268,903</b>	<b>639</b>
Increase in cash and cash equivalents	76,745	439	77,060	439
Cash and cash equivalents, beginning of period	643	-	328	-
<b>Cash and cash equivalents, end of period</b>	<b>77,388</b>	<b>439</b>	<b>77,388</b>	<b>439</b>
Cash and cash equivalents are comprised of				
Cash	73,795	439	73,795	439
Short-term money market instruments	3,593	-	3,593	-
	<b>77,388</b>	<b>439</b>	<b>77,388</b>	<b>439</b>

Supplemental cash flow information (Note 6)

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 1. Description of business and nature of operations

The Company was originally incorporated as Imperial PlasTech Inc. under the Ontario Business Corporation Act. On November 13, 2006 the Company continued into British Columbia under the B.C. Corporation's Act and changed its name to GPJ Ventures Ltd.

The Company incurred significant losses in 2002 and 2003 and breached certain lending agreement covenants. As a result, the principal lender issued an Interim Receiving Order against the Company (the "Receivership") on June 12, 2003. On July 3, 2003, the Company obtained an order under the Companies Creditors Arrangement Act ("CCAA") from the Ontario Superior Court of Justice (the "Court") in order to facilitate the restructuring of the Company after successfully emerging from the Receivership. On February 22, 2005, the Company announced that the Court appointed an Interim Receiver for the Company and on March 1, 2005 the Receiver assigned the Company into bankruptcy and a trustee (the "Trustee") was appointed. The Company completed a Proposal to Creditors under the Bankruptcy and Insolvency Act (Canada) and it was approved by the creditors of the Company on February 17, 2006 and by the Ontario Superior Court of Justice on March 8, 2006. As a result, the bankruptcy of the Company was annulled effective April 13, 2006. In connection with the Company's emergence from bankruptcy, a new board of directors was appointed.

The Company commenced seeking opportunities in the natural resource sector and on April 3, 2007 completed an agreement to purchase two producing gold mines from Goldcorp Inc. (see Note 3) and changed its name to Peak Gold Ltd. (the "Company").

The Company has changed its fiscal year end from November 30 to December 31, commencing with the thirteen month period ending December 31, 2007. This change was implemented to coincide with the year ends of Amapari and Peak (Note 3).

Due to the different year end in the comparative reporting period, comparative figures presented in the statements of operations, deficit and other comprehensive income and cash flows are for the three months and six months ended May 31, 2006.

### 2. Summary of significant accounting policies

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements, except as noted below. The accompanying unaudited interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended November 30, 2006, as they do not contain all disclosures required by Canadian GAAP for annual financial statements.

#### (a) *Basis of presentation and principles of consolidation*

These unaudited interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. In the opinion of the management, all adjustments (including normal recurring adjustments) necessary to present fairly the financial position as at June 30, 2007 and results of operations, deficit and other comprehensive income and cash flows for all periods presented, have been made.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 2. Summary of significant accounting policies (continued)

(a) *Basis of presentation and principles of consolidation (continued)*

The principal subsidiaries of the Company as of June 30, 2007 are as follows:

<u>Subsidiary</u>	<u>Interest</u>
Mineracao Pedra Branca do Amapari Ltda. ("Amapari")	100%
Peak Gold Mines Pty ("Peak")	100%

Variable interest entities ("VIE's") as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, *Consolidation of Variable Interest Entities*, are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIE's are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company has determined that it does not have any investments that qualify as VIE's.

All intercompany transactions and balances are eliminated.

(b) *Use of estimates*

The preparation of consolidated financial statements in conformity with Canadian GAAP requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these interim consolidated financial statements include, but are not limited to, the recoverability of accounts receivable and investments, the quantities of material on leach pads and in circuit, the proven and probable ore reserves and resources and the related depletion and amortization, the estimated tonnes of waste material to be mined and the estimated recoverable tonnes of ore from each mine area, the estimated net realizable value of inventories, the accounting for stock-based compensation, the provision for income and mining taxes and composition of future income and mining tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining interests, the anticipated costs of reclamation and closure cost obligations, and the fair value of assets and liabilities acquired in business combinations.

(c) *Cash and cash equivalents*

Cash and cash equivalents include cash, and those short-term money market instruments that are readily convertible to cash with an original term of less than 90 days.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 2. Summary of significant accounting policies (continued)

#### (d) *Inventories and stockpiled ore*

Finished goods, work-in-process, heap leach ore and stockpiled ore are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labor, mine-site overhead expenses and depreciation and depletion of mining interests. Supplies are valued at the lower of average costs or replacement cost.

The recovery of gold from certain oxide ores is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. For accounting purposes, costs are added to ore on leach pads on current mining and leaching costs, including applicable depreciation, depletion and amortization relating to mining interests. Costs are removed from ore on leach pads as ounces of gold are recovered based on the average cost per recoverable ounce of gold on the leach pad.

Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tonnes added to the leach pads), the grade of ore placed on the leach pads (based on assay data), and a recovery percentage (based on ore type).

#### (e) *Mining interests*

Mining interests represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures related to exploration arising from property acquisitions. Capitalized costs are depreciated and depleted using either a unit-of-production method over the estimated economic life of the mine to which they relate, or for plant and equipment, using the straight-line method over their estimated useful lives.

The costs associated with mining properties are separately allocated to reserves, resources and exploration potential, and include acquired interests in production, development and exploration stage properties representing the fair value at the time they were acquired. The value associated with resources and exploration potential is the value beyond proven and probable reserves assigned through acquisition. The value allocated to reserves is depreciated on a unit-of-production method over the estimated recoverable proven and probable reserves at the mine. The resource value represents the property interests that are believed to potentially contain economic mineralized material such as inferred material within pits; measured, indicated, and inferred resources with insufficient drill spacing to qualify as proven and probable reserves; and inferred resources in close proximity to proven and probable reserves. Exploration potential represents the estimated mineralized material contained within (i) areas adjacent to existing reserves and mineralization located within the immediate mine area; (ii) areas outside of immediate mine areas that are not part of measured, indicated, or inferred resources; and (iii) greenfields exploration potential that is not associated with any other production, development, or exploration stage property, as described above. At least annually or when otherwise appropriate, and subsequent to its review and evaluation for impairment, value from the non-depletable category is transferred to the depletable category as a result of an analysis of the conversion of resources or exploration potential into reserves.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 2. Summary of significant accounting policies (continued)

#### (e) *Mining interests (continued)*

Costs related to property acquisitions are capitalized until the viability of the mineral property is determined. When it is determined that a property is not economically recoverable the capitalized costs are written off.

Exploration costs incurred to the date of establishing that a property is economically recoverable are included in operations. Further development expenditures are capitalized to the property.

Upon sale or abandonment the cost of the property and equipment, and related accumulated depreciation or depletion, are removed from the accounts and any gains or losses thereon are included in operations.

The Company reviews and evaluates its mining properties for impairment annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

#### (f) *Reclamation and closure cost obligations*

The Company's mining and exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive. The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability and corresponding asset for the estimated future cost of reclamation and closure, including site rehabilitation and long-term treatment and monitoring costs, discounted to net present value. Such estimates are, however, subject to change based on negotiations with regulatory authorities, or changes in laws and regulations.

#### (g) *Income and mining taxes*

The Company uses the liability method of accounting for income and mining taxes. Under the liability method, future 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 and for tax losses and other deductions carried forward. Upon business acquisitions, the liability method results in a gross-up of mining interests to reflect the recognition of the future tax liabilities for the tax effect of such differences.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A reduction in respect of the benefit of a future tax asset (a valuation allowance) is recorded against any future tax asset if it is not more likely than not to be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is substantively enacted.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 2. Summary of significant accounting policies (continued)

#### (h) Foreign currency translation

Effective April 1, 2007 the Company determined that a change in its functional currency had occurred. The functional currency changed from the Canadian dollar ("Cdn\$") to the U.S. dollar ("US\$"). The change was necessary due to the acquisition of Amapari and Peak Mines (Note 3). Revenues and direct costs are now principally denominated in U.S. dollars. Accordingly, results for the Company would be more fairly reflected by adopting the US\$ as the Company's functional currency. The Company has also adopted the US\$ as its reporting currency.

The comparative figures for the year ended November 30, 2006, including supplementary information were translated using the current method of translation. Under this method, the statement of operations and the cash flow statement items were translated into the reporting currency using the rates in effect at the date of the transactions, effectively the average exchange rate of US\$1.00 = Cdn\$1.1415 for the period. Assets and liabilities were translated at the November 30, 2006 year-end rate of US\$1.00 = Cdn\$1.1369. All resulting exchange differences are reported in accumulated other comprehensive income, a separate component of shareholders' equity.

All operations outside of Canada apply the US\$ as their reporting and measurement currency and therefore translate their operating results using the temporal method. Under this method, foreign currency monetary assets and liabilities are translated into US\$ at the exchange rates prevailing at the balance sheet date; non-monetary assets denominated in foreign currencies are translated using the rate of exchange at the transaction date; and foreign exchange gains and losses are included in the determination of earnings. In addition, unrealized gains and losses due to movements in exchange rates on cash balances held in foreign currencies are shown separately on the consolidated statements of cash flows.

Monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. All other assets, liabilities, revenues and expenses arising in foreign currencies are translated at the exchange rates prevailing at the date of the transactions; the resulting gains or losses on foreign exchange are included in the results of operations.

#### (i) Earnings (loss) per share

Earnings (loss) per share calculations are based on the weighted average number of common shares and common shares equivalents issued and outstanding during the year. Diluted earnings per share are calculated using the treasury method which requires the calculation of diluted earnings per share by assuming that outstanding stock options and warrants with an average market price that exceeds the average exercise prices of the options and warrants for the period, are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common share for the period.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 2. Summary of significant accounting policies (continued)

(j) *Revenue recognition*

Revenue from the sale of metals is recognized in the accounts when persuasive evidence of an arrangement exists, title and risk passes to buyer, collection is reasonably assured and the price is reasonably determinable. Revenue from the sale of metals in concentrate may be subject to adjustment upon final settlement of estimated metal prices, weights and assays. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. Refining and treatment charges are netted against revenue for sales of metal concentrate.

(k) *Stock-based compensation*

The Company applies the fair value method of accounting for all stock option awards. Under this method the Company recognizes a compensation expense for all stock options awarded to employees, based on the fair value of the options on the date of grant which is determined by using an option pricing model. The fair value of the options is expensed over the vesting period of the options.

(l) *Financial instruments - recognition and measurement*

Effective December 1, 2006, the Company adopted the new accounting standard, *Financial Instruments - Recognition and Measurement* (Section 3855), that was issued by the Canadian Institute of Chartered Accountants. This accounting policy change was adopted on a prospective basis with no restatement of prior period financial statements. The new standard and accounting policy change is as follows:

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations and deficit.

Upon adoption of this new standard, the Company has designated its cash as held-for-trading, which is measured at fair value. Prepaids and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at June 30, 2007, the Company did not have any financial assets classified as available-for-sale and therefore, the adoption of the standard noted above had no effect on the presentation of the Company's consolidated financial statements.

(m) *Comprehensive income*

Effective December 1, 2006, the Company adopted the new accounting standard related to comprehensive income (Section 1530) that was issued by the Canadian Institute of Chartered Accountants. This accounting policy change was adopted on a prospective basis with no restatement of prior period financial statements. The new standard and accounting policy change is as follows:

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 2. Summary of significant accounting policies (continued)

#### (m) Comprehensive income (continued)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet. The components of this new category may include unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments.

### 3. Business combination

On February 15, 2007, the Company entered into an agreement with Goldcorp Inc. ("Goldcorp") to acquire Goldcorp's Amapari mine in Brazil and Peak mine in Australia (the "Acquisition"). The Company completed the acquisition of the Amapari mine and the Peak mine on April 3, 2007 and April 27, 2007, respectively. The acquisition of the Peak mine occurred at a later date due to regulatory delays in Australia. In consideration for the acquisition of the Amapari and Peak mines, the Company issued to Goldcorp 155 million common shares with a value of US\$100 million and paid US\$200 million in cash, respectively.

The business combination has been accounted for as a purchase transaction, with the Company as the acquirer and the Amapari and Peak Mines as the acquiree. The results of the operations of the acquired assets are included in the consolidated financial statements of the Company from the dates of the acquisition. The preliminary allocation of the assets and liabilities acquired is as follows (in thousands of dollars):

	\$
Purchase price	
Cash	200,000
Common shares	100,000
Acquisition costs	4,223
	<hr/> 304,223 <hr/>
Net assets acquired	
Cash and cash equivalents	11,212
Accounts receivable	4,391
Inventories and stockpiled ore	31,677
Mining interests	328,642
Other	5,190
Accounts payable and accrued liabilities	(22,356)
Income and mining tax payable	(1,164)
Reclamation and closure cost obligations	(18,192)
Future income tax	(35,177)
	<hr/> 304,223 <hr/>

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 3. Business combination (continued)

Mining interests include mining properties (depletable and non-depletable) and plant and equipment. The Company is completing an exercise to value the identifiable assets and liabilities acquired, including the allocation of mining interests to depletable and non-depletable properties, plant and equipment and any goodwill that may arise from the acquisition.

In order to finance the Acquisition and to provide working capital, the Company completed a financing of 435 million subscription receipts at a price of Cdn\$0.75 per subscription receipt for net cash proceeds of approximately Cdn\$309.9 million (US\$267.5 million) on April 3, 2007. The subscription receipts were immediately converted into units of the Company with each unit consisting of one common share of the Company and one-half of one common share purchase warrant, with each whole purchase warrant entitling the holder to purchase an additional common share of the Company at a price of Cdn\$1.50 per share until April 3, 2012.

In conjunction with the acquisition, the Company issued as a transaction success fee 5 million common shares of the Company with a value of approximately \$3.2 million to Endeavour Financial ("Endeavour"), a company in which an officer is a director of the Company. This amount has been recorded as an acquisition cost. In addition, the Company has capitalized cash costs of approximately \$1.0 million relating to the Acquisition.

### 4. Share capital

#### (a) Authorized

Unlimited number of common shares without par value  
Unlimited number of preferred shares without par value

#### (b) Share capital

	<u>Issued and fully paid common</u>		Contributed surplus
	Number of shares	Amount	
		\$	\$
Balance, November 30, 2006	115,051,396	25,313	59
Issued for cash in private placement (net of issue costs of \$14,125)	435,000,000	209,841	57,673
Issued for acquisition (Note 3)	160,000,000	103,253	-
Exercise of stock options	540,000	47	(21)
Exercise of warrants	14,950,000	1,363	-
Stock option expense (Note 4 (d))	-	-	4,084
<b>Balance, June 30, 2007</b>	<b>725,541,396</b>	<b>339,817</b>	<b>61,795</b>

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 4. Share capital (continued)

#### (c) Stock options

The Company has established a "rolling" stock option plan (the "Plan") in compliance with the TSX Venture Exchange's policy for granting stock options. Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant.

	Number of options	Weighted average exercise price Cdn\$
Balance, November 30, 2006	1,600,000	0.10
Exercised	(540,000)	0.10
Granted	21,195,000	0.93
Balance, June 30, 2007	22,255,000	0.89

During the seven months ended June 30, 2007, the Company granted 21,195,000 stock options of which 7,064,965 are exercisable at June 30, 2007. These options have an exercise price of Cdn\$0.93 and a contractual life of 5 years. For the same period, 540,000 options were exercised for total proceeds of Cdn\$54,000.

As of June 30, 2007, 22,225,000 options are outstanding with a weighted average exercise price of Cdn\$0.89. Of the options outstanding, 8,124,965 options were exercisable with a weighted average price of Cdn\$0.82.

#### (d) Stock-based compensation

As a result of the stock options granted during the period ended June 30, 2007, the Company recorded \$4.1 million as stock-based compensation expense and recorded this amount in contributed surplus. The value was determined using the Black-Scholes pricing model. A weighted average grant-date fair value of \$0.37 (May 31, 2006 - \$0.04) using the following assumptions: no dividends are to be paid; volatility of 60% (May 31, 2006 - 41%), risk free interest rate of 4.0%; and expected life of 3.3 years (May 31, 2006 - 5 years).

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 4. Share capital (continued)

#### (e) Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price Cdn\$
Balance, November 30, 2006	14,950,000	0.10
Exercised	(14,950,000)	0.10
Issued	217,500,000	1.50
<b>Balance, June 30, 2007</b>	<b>217,500,000</b>	<b>1.50</b>

The Company issued 217.5 million warrants in connection with a private placement (Note 3) to purchase an additional common share of the Company at a price of Cdn\$1.50 per share until April 3, 2012. The warrants were valued at \$57.7 million using the Black-Scholes pricing model and that amount is included in share issue costs and contributed surplus. A fair value of approximately \$0.27 for each warrant was calculated using the following assumptions: no dividends are paid; volatility is 60%, risk free interest rate of 4.0%; and expected life of 3.5 years.

### 5. Related party transactions

During the three and seven month period ended June 30, 2007, the Company paid Endeavour \$0.1 million in advisory fees and rent. As of June 30, 2007, deferred acquisition costs include amounts totaling approximately \$3.3 million paid to Endeavour for fees relating to the acquisition (Note 3).

As of June 30, 2007, accounts payable includes approximately \$0.3 million owing to Goldcorp Inc. for amounts paid on behalf of the Company.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)

(Unaudited)

### 6. Supplemental cash flow information

	Three months ended June 30, 2007	Three months ended May 31, 2006	Seven months ended June 30, 2007	Six months ended May 31, 2006
	\$	\$	\$	\$
Change in non-cash working capital				
Accounts receivable	(4,559)	(7)	(4,568)	(7)
Inventories and stockpiled ore	1,946	-	1,946	-
Accounts payable and accrued liabilities	(5,163)	8	(4,698)	-
Other	(243)	-	(243)	132
	<b>(8,019)</b>	1	<b>(7,563)</b>	125
Non-cash financing and investing activities				
Shares issued on acquisition (Note 3)	103,253	-	103,253	-
Operating activities included the following payments				
Interest paid	532	-	532	-
Income taxes paid	1,299	-	1,299	-

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

June 30, 2007

(Tabular amounts expressed in thousands of U.S. dollars, except share and per share amounts)  
(Unaudited)

### 7. Segmented information

The Company manages its operations by geographical location. Following the acquisitions of Amapari Mine and Peak Mine, management considers the Company to be operating in geographical segments. These reportable operating segments are summarized in the table below:

	Amapari Mine	Peak Mine	Other <sup>(1)</sup>	Total
	\$	\$	\$	\$
<b>Three months ended</b>				
<b>June 30, 2007</b>				
Revenues	15,466	23,976	-	39,442
Depletion and depreciation	3,762	5,719	-	9,481
(Loss) earnings from operations	(2,512)	5,876	(4,889)	(1,525)
Total assets	171,963	208,690	69,446	450,099
Expenditures for mining interests	(1,363)	(6,938)	(7)	(8,308)
<b>Seven months ended</b>				
<b>June 30, 2007</b>				
Revenues	15,466	23,976	-	39,442
Depletion and depreciation	3,762	5,719	-	9,481
(Loss) earnings from operations	(2,512)	5,876	(4,958)	(1,594)
Total assets	171,963	208,690	69,446	450,099
Expenditures for mining interests	(1,363)	(6,938)	(7)	(8,308)

<sup>(1)</sup> Other includes corporate balances and intercompany eliminations

Prior to the acquisition of the Amapari mine and Peak mine, the Company had one reportable segment, being the acquisition of natural properties.

### 8. Commitments and contingencies

As of June 30, 2007, commitments exist for capital expenditures of approximately \$2.8 million at Peak mine and \$0.7 million at Amapari mine to be spent in 2007.