

# 2007 ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT DISCUSSION AND ANALYSIS



## **PEAK GOLD LTD. (Formerly GPJ Ventures Ltd.)**

### **Management's Discussion and Analysis**

#### **For the Thirteen month period ended December 31, 2007**

*This Management's Discussion and Analysis should be read in conjunction with Peak Gold's audited consolidated financial statements for the thirteen months ended December 31, 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 March 19, 2008.*

*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 \$100 million and \$200 million in cash. The results of operations of the acquired mines are included in the consolidated 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.**

#### **2007 Financial/Operational Highlights**

- **Net Earnings were \$14.6 million, after charges of \$ 6.2 million in stock-based compensation.**
- **Gold production of 149,830 ounces**
- **Gold sales of 155,351 ounces**
- **Total cash costs were \$349 per ounce (net of by-product sales) <sup>(1)</sup>**
- **Earnings from operations for Peak Mines was \$25.8 million. Loss from operations for Amapari was \$0.3 million**
- **Consolidated operating cash flows of \$26.6 million**
- **Cash and cash equivalents at December 31, 2007 totaled \$149.9 million (November 30, 2006 - \$0.3 million)**
- **Short term investments of \$32.4 million at December 31, 2007 (November 30, 2006 -\$nil)**
- **No investments in asset backed commercial paper (ABCP)**
- **Completion of Private Placement of Special Warrants for net proceeds of \$104.2 million. On February 28, 2008, the Special Warrants were converted into 147,723,334 common shares of the Company and 73,861,667 common share purchase warrants.**

(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.

## **Overview**

Peak Gold Ltd. is a new intermediate gold producer with two operating assets: Amapari mine in Brazil and Peak Mines in Australia.

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.

On April 3, 2007 the Company 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.

Effective April 1, 2007, the Company changed its functional currency from the Canadian dollar ("Cdn\$") to the U.S. dollar ("US\$") due to the acquisition of the Amapari and Peak Mines. The Company also adopted the US\$ as its reporting currency.

## **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. 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 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 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 of acquisition and all applicable information at the time these consolidated financial statements were prepared. This process was performed in accordance with the accounting pronouncement relating to "*Mining Assets – Impairment and Business Combination*" (Emerging Issues Committee Abstract 152). An independent valuation of the assets acquired was completed in the latter part of 2007, supporting management's allocation of the purchase consideration, and resulted in an adjustment to the preliminary allocation of the purchase consideration.

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 paid 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.

## Summarized Annual Financial Results

(US dollars in thousands)

	2007 <sup>(1) (3)</sup>	2006
<b>Revenues</b>	\$131,084	\$ nil
<b>Gold produced (ounces)</b>	149,830	-
<b>Gold sold (ounces)</b>	155,351	-
<b>Average realized gold price (per ounce)</b>	\$721	-
<b>Depreciation and depletion</b>	\$18,973	-
<b>Corporate administration</b>	\$13,295	\$ (254)
<b>Earnings (loss) from operations</b>	\$14,110	\$ (254)
<b>Interest and other income</b>	\$4,113	\$ 7
<b>Net earnings (loss)</b>	\$14,613	\$ (247)
<b>Earnings (loss) per share</b>	\$0.03	\$0.09
<b>Cash flow from (to) operating activities</b>	\$26,620	\$ (320)
<b>Total cash costs (per gold ounce) <sup>(2)</sup></b>	\$349	-
<b>Cash and cash equivalents</b>	\$149,924	\$328
<b>Short term investments</b>	\$32,440	\$ nil
<b>Total assets</b>	\$572,398	\$342

(1) Includes operating results of Amapari and Peak Mines from April 3, 2007 and April 27, 2007 respectively, to December 31, 2007.

(2) The calculation of total cash costs per ounce of gold for Peak Mines is net of by-product copper sales revenue. Total cash costs are a non-GAAP measure. See page 1 of this Management Discussion and Analysis.

(3) The Company changed its fiscal year end from November 30 to December 31, commencing with the thirteen month period ending December 31, 2007.

### 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.

Net earnings for the thirteen months ended December 31, 2007 were \$14.6 million. Operating cash flows were \$26.6 million. Gold production for the year was 149,830 ounces and copper production was 5,426,000 pounds for 2007. Cash costs were \$349 per ounce in 2007.

## Quarterly Financial Information

(US dollars in thousands)

	2007 <sup>(1)</sup>				Total
	Q1 <sup>(3)</sup>	Q2	Q3	Q4	
<b>Revenues</b>	-	\$39,442	\$44,663	\$46,979	\$ 131,084
<b>Gold (ounces)</b>					
- Produced	-	42,500	53,900	53,430	149,830
- Sold	-	48,000	55,000	52,351	155,351
<b>Average realized gold price (per ounce)</b>	-	\$662	\$ 697	\$793	\$ 721
<b>Earnings (loss) from operations</b>	\$ (67)	\$(1,525)	\$2,612	\$13,090	\$ 14,110
<b>Net earnings</b>	\$ (67)	\$(1,289)	\$1,180	\$14,789	\$ 14,613
<b>Earnings per share</b>					
- Basic	\$ nil	\$ nil	\$nil	\$0.02	\$0.03
- Diluted	\$ nil	\$ nil	\$nil	\$0.02	\$0.02
<b>Cash flow from operations</b>	\$ (3)	\$5,856	\$7,823	\$12,944	\$26,620
<b>Total cash costs (per gold ounce) <sup>(2)</sup></b>	\$ nil	\$343	\$303	\$398	\$349
	2006 <sup>(4)</sup>				Total
	Q1	Q2	Q3	Q4	
<b>Revenues</b>	-	-	-	-	-
<b>Gold (ounces)</b>					
- Produced	-	-	-	-	-
- Sold	-	-	-	-	-
<b>Average realized gold price (per ounce)</b>	-	-	-	-	-
<b>Earnings (loss) from operations</b>	\$ nil	\$ (123)	\$(162)	\$ 38	\$(247)
<b>Net (loss) earnings</b>	\$ nil	\$ (123)	\$ 10,027	\$ 38	\$ 9,942
<b>Earnings per share</b>					
- Basic	\$nil	\$ nil	\$0.10	\$0.00	\$0.09
- Diluted	\$nil	\$ nil	\$0.10	\$0.00	\$0.08
<b>Cash flow from operations</b>	\$nil	\$ nil	\$(206)	\$(114)	\$(320)
<b>Total cash costs (per gold ounce) <sup>(2)</sup></b>	\$nil	\$ nil	\$nil	\$nil	\$ nil

- (1) Includes operating results of Amapari and Peak Mines from April 3, 2007 and April 27, 2007 respectively, to December 31, 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 September 30, 2007 as transactions prior to the Company's emergence from bankruptcy are not deemed significant.

## Review of Quarterly 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.

Net earnings for the fourth quarter of 2007 were \$14.8 million. Operating cash flows were \$12.9 million. In the fourth quarter, the Company finalized the purchase price allocation of the assets and liabilities acquired in the Acquisition. The results of the fourth quarter include adjustments made upon completion of the allocation of the purchase consideration

of Amapari and Peak Mines. Gold production for the quarter was 53,430 ounces and copper production was 1,746,000 pounds for the quarter-ended December 31, 2007.

## Operation Review

### Amapari, Brazil

(US dollars in thousands)

	Q2	Q3	Q4	Total 2007 <sup>(1)</sup>	Total 2007 <sup>(1)</sup>	Total 2006 <sup>(1)</sup>
<b>Operating Data</b>						
Tonnes of ore mined	621,900	754,200	846,200	<b>2,222,300</b>	2,864,300	2,012,400
Tonnes of waste removed	1,494,600	2,272,500	2,193,600	<b>5,960,700</b>	8,441,700	12,621,500
Ratio of waste to ore	2.4	3.0	2.6	<b>2.7</b>	3.0	6.3
Tonnes of ore processed <sup>(3)</sup>	461,400	519,400	529,800	<b>1,510,600</b>	2,004,600	1,579,200
Average mill head grade (grams/tonne)	2.49	2.41	2.41	<b>2.43</b>	2.47	2.19
Average recovery rate (%) <sup>(2)</sup>	68%	62%	62%	<b>64%</b>	67%	64%
<b>Gold (ounces)</b>						
- Produced <sup>(4)</sup>	22,700	22,200	24,400	<b>69,300</b>	96,400	84,200
- Sold	23,200	22,200	22,600	<b>68,000</b>	96,100	85,500
Average realized gold price (per ounce)	\$666	\$684	\$785	<b>\$ 711</b>	\$694	\$604
Total cash costs (per ounce) (Non-GAAP measure)	\$539	\$491	\$583	<b>\$539</b>	\$515	\$524
<b>Financial Data</b>						
Revenues	\$15,470	\$15,190	\$17,710	<b>\$48,370</b>	\$66,688	\$51.7
Loss from operations	\$(2,512)	\$(1,560)	\$3,751	<b>\$(321)</b>	\$(1,021)	\$(189,600) <sup>(4)</sup>

- (1) Results from Amapari Mine are only included in Peak Gold's financial results for the period subsequent to April 3, 2007, the date of acquisition. The full year 2007 date and prior year results are shown for information purposes only.
- (2) Gold recovery is determined when the individual leach pads are reclaimed and production is reconciled.
- (3) Tonnes of ore processed for the period do not necessarily correlate to ounces produced during the period, as there is a time delay between placing tonnes on the leach pad and pouring ounces of gold.
- (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 sulphide mineralization previously included.

Amapari produced 69,300 ounces of gold and sold 68,000 ounces of gold in 2007. Gold production increased from 22,200 in Q3 2007 to 24,400 in Q4 2007.

Cash costs in 2007 were adversely affected by the strengthening of the Brazilian currency (real) related to the U.S. dollar. The Brazilian currency strengthened by approximately 14% from the date of acquisition.

The Company continues to study the viability of alternative processes to improve the efficiency and costs of its mining operations at Amapari as follows:

The Company is examining the viability of installing a washing and carbon in leach (CIL) plant with a view to improving recoveries of the oxide ores. Preliminary metallurgical tests for this plant showed encouraging improvements in gold recoveries.

The Company is also examining the viability of processing the sulphide ores through milling and CIL.

The Company is continuing with its cost reduction program in areas of material supply, purchasing, transportation and manpower.

**Peak Mines, Australia**  
(US dollars in thousands)

	Q2	Q3	Q4	Total 2007 <sup>(2)</sup>	Total 2007 <sup>(3)</sup>	Total 2006 <sup>(2)</sup>
<b>Operating Data</b>						
Tonnes of ore milled	132,241	182,835	188,933	<b>504,009</b>	709,230	702,800
Average mill head grade						
- Gold (grams/tonne)	5.29	6.21	5.55	<b>5.72</b>	5.87	6.08
- Copper (%)	0.78%	0.65%	0.59%	<b>0.66%</b>	0.65%	0.58%
Average recovery rate						
- Gold (%)	<b>88%</b>	87%	86%	<b>87%</b>	88%	90%
- Copper (%)	77%	74%	70%	<b>74%</b>	73%	74%
Produced						
- Gold (ounces)	19,800	31,703	29,030	<b>80,533</b>	116,488	122,600
- Copper (thousands of pounds)	1,748	1,932	1,746	<b>5,426</b>	7,490	6,591
Sold						
- Gold (ounces)	24,800	32,800	29,751	<b>87,351</b>	118,298	114,500
- Copper (thousands of pounds)	2,776	1,908	2,469	<b>7,153</b>	7,153	5,619
Average realized price						
- Gold (per ounce)	\$672	\$707	\$799	<b>\$729</b>	\$694	\$585
- Copper (per ounce)	\$3.19	\$3.47	\$2.99	<b>\$3.64</b>	\$3.29	\$3.10
Total Cash Cost per gold ounce <sup>(1)</sup>	\$160	\$176	\$258	<b>\$199</b>	\$243	\$215
<b>Financial Data</b>						
Revenues	\$ 23,970	\$29,467	\$29,278	<b>\$82,715</b>	\$101,218	\$79,700
Earnings from operations	\$ 5,876	\$6,494	\$13,416	<b>\$25,786</b>	\$32,711	\$21,400

- (1) The calculation of total cash costs per ounce of gold is net of by-product sales revenue. If the copper sales were treated as a co-product, average total cash costs at Peak Mines for the period would be \$347 per ounce of gold sold
- (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. Full year 2007 data and prior year information is presented for information purposes only
- (3) This column shows the 2007 full year data for comparative purposes only. Peak Mine's operations are included in Peak Gold's financial results for the period subsequent to April 27, 2007, the date of acquisition

Peak Mines produced 29,030 ounces of gold and 1,746,000 pounds of copper during the fourth quarter of 2007. Mill throughput of 188,933 tonnes for the fourth quarter of 2007 is an operational record and reflects consistent underground production and increased milling capacity. Total cash costs for the quarter were \$258 per ounce sold and have been impacted by a lower copper prices and a strengthening Australian dollar against the U.S. dollar.

The Peak mine produced 80,533 ounces of gold and 5,426,000 pounds of copper during the period. Mill throughput of 504,009 tonnes reflects an increase in capacity throughout the period. Operating costs have been reasonably consistent throughout the period with cost control remaining a key focus for management. The strengthening of the Australian dollar throughout the period has negatively impacted total cash costs per ounce sold. The AS, as compared to the US\$, strengthened by 7% from the date of acquisition.

In December 2007 Peak Gold Mines completed development of the surface decline connection to the underground workings at Peak.

## Review of Financial Results:

Depreciation and depletion, which relates to mining activities, was \$19.0 million for the year. Depreciation and depletion was \$9.1 million for Amapari and \$9.8 million for Peak Mines.

Corporate administration was \$13.3 million for the thirteen month period ended December 31, 2007. The most significant expense included in corporate administration is non-cash stock-based compensation expense of \$6.2 million.

A total of \$4.0 million was spent in exploration for Amapari and Peak Mines during the period from acquisition.

During the thirteen month period, the Company earned \$4.1 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 \$267.4 million) and funds received from an additional private placement in November for net cash proceeds of CDN \$103.2 million (US\$104.2 million).

The Company incurred \$2.9 million of foreign exchange losses mainly due to the revaluation of future income tax liabilities.

Income and mining taxes for the thirteen month period ended December 31, 2007 totaled \$0.3 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 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:

(Amounts in thousands of dollars)	2007 (1)
Operating Expenses per financial statements	\$80,723
Treatment and refining charges on concentrate sales	\$5,480
By-product copper sales	\$(24,558)
Non-cash adjustments	\$(7,418)
Total cash costs	\$54,227
Ounces of gold sold	155,351
Total cash costs per ounce of gold	\$349

(1) Prior to the acquisition of Amapari and Peak Mines, the Company did not incur cash costs and therefore no comparatives from prior periods have been presented.

## *Liquidity and Capital Resources*

The Company has over \$182 million in its treasury which is invested in highly liquid financial instruments. The Company does not have any cash invested in asset backed commercial paper.

As of December 31, 2007, the Company held cash and cash equivalents of \$149.9 million (November 30, 2006 - \$0.3 million) and working capital of \$214.1 million (November 30, 2006 - \$0.3 million). The substantial increase in cash can be attributed to net cash proceeds of \$371.5 million received for private placements in April and November, proceeds of \$1.5 million received on the exercise of warrants and stock options, and cash provided from operating activities of \$26.6 million. The increase in cash was partially offset by the cash payment (net of cash received) of \$190.6 million for Amapari and Peak Mines and spending on mineral interests of \$27.1 million.

In the opinion of management, the working capital at December 31, 2007, together with cash flows from operations, are sufficient to support the Company's normal operating requirements on an ongoing basis.

During the thirteen month period ended December 31, 2007, the Company generated operating cash flows of \$26.6 million. Approximately \$4.0 million and \$22.4 million were generated from operations at the Amapari and Peak Mines, respectively.

During the thirteen month period ended December 31, 2007, the Company invested a total of \$27.1 million in mining interests, including \$6.1 million at Amapari and \$20.3 million at Peak.

As of March 19, 2008, there were 874,014,730 common shares of the Company outstanding. The Company had 26,588,000 stock options outstanding under its share option plan. In addition, the Company had 291,361,667 share purchase warrants outstanding (exchangeable for 291,361,667 common shares).

## *Commitments*

Commitments exist for expenditures for mining interests of approximately \$2.1 million.

## *Related Party Transactions*

During the thirteen month period ended December 31, 2007, the Company paid Endeavour \$0.1 million in advisory fees and rent. As of December 31, 2007, deferred acquisition costs include \$0.1 million paid in consulting fees paid and approximately \$3.2 million relating to shares issued to Endeavour as part of a transaction success fee.

During the thirteen month period ended December 31, 2007, the Company paid Goldcorp \$0.1 million in management fees. As of December 31, 2007, accounts receivable includes approximately \$0.6 million owing from Goldcorp Inc.

## *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 through out 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.

The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold, silver and copper production and capital expenditure in US dollar terms. In addition, as of December 31, 2007, the Company recorded \$25.9 million of future income tax liabilities on mineral interests, which are recorded in local currencies. The future income tax liabilities are monetary items, which are revalued each period end at current exchange rates, with the gain or loss recorded in income in the period.

The Company has not entered into such types of transactions during the current or comparative periods. The Company has assessed this risk and has not presently adopted an active currency hedging program given the correlation between metal prices and the currencies in which the Company operates. In 2007, favourable changes in metal prices have mitigated the adverse effect of the appreciation of the foreign currency against the US dollar.

## *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 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 consolidated audited financial statements.

### *Accounting Policies implemented effective December 1, 2006*

Effective December 1, 2006, the Company adopted the new accounting standards, 1530, Comprehensive Income, 3251, Equity, 3855, Financial Instruments - Recognition and Measurement ("Section 3855"), 3861, Financial Instruments – Disclosure and Presentation, and 3865, Hedges, which address the classification, recognition and measurement of financial instruments in the financial statements, the inclusion of other comprehensive income, and establish the standards for hedge accounting.

Under Section 3855, 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 Section 3855, the Company has designated its cash and short-term investments 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.

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 Section 1530, 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.

These accounting policies were adopted retrospective without restatement.

In March 2006, the Emerging Issues Committee issued Abstract 160, Stripping Costs Incurred in the Production Phase of a Mining Operation (“EIC-160”). EIC-160 discusses the treatment of costs associated with the activity of removing overburden and other mine waste minerals in the production phase of a mining operation and concludes that such stripping costs should be accounted for according to the benefit received by the entity and recorded as either a component of inventory or a betterment to the mineral property, depending on the benefit received. The implementation of EIC-160, effective December 1, 2006, did not have a material effect on the Company’s consolidated financial position and results of operations.

### *Accounting Policies to be implemented effective January 1, 2008*

Two new Handbook sections, 3862, Financial Instruments – Disclosure, and 3863, Financial Instruments – Presentation, will replace Section 3861, Financial Instruments – Disclosure and Presentation. These new sections incorporate many of the disclosure requirements in the existing section, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments.

Section 1535, Capital Disclosure, establishes disclosure requirements about the Company’s objectives, policies and processes for managing capital, as well as quantitative information about capital.

Section 3031, Inventories, which replaces the existing Section 3030, establishes standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead, requires impairment testing and expands the disclosure requirements. The adoption of Section 3031 is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

### *Accounting Policies to be implemented effective January 1, 2009*

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to the Company’s financial statements for its fiscal year beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of this new Section on its 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 prove 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 assets 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 is 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, short term investments, 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.

### *Subsequent Events and proposed transactions*

On February 27, 2008, the Company granted 5,092,000 stock options to employees. These options have an exercise price of Cdn\$0.63, vest over three years and have a contractual life of five years from date of grant.

On February 28, 2008, the 147,723,334 Special Warrants outstanding at December 31, 2007 were converted into 147,723,334 common shares of the Company and 73,861,667 common share purchase warrants.

## OUTLOOK

The Company expects to produce approximately 210,000 to 220,000 ounces of gold at an average cash cost of \$345 to \$365 per ounce for the 2008.

## 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 September 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 Annual Information Form dated December 18, 2007 and revised on February 25, 2008 and available 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.*



Consolidated financial statements of

**Peak Gold Ltd.**

(formerly GPJ Ventures Ltd.)

December 31, 2007

## Auditors' report

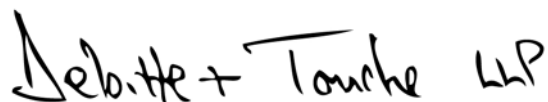
To the Shareholders of  
Peak Gold Ltd.

We have audited the consolidated balance sheet of Peak Gold Ltd. as at December 31, 2007 and the consolidated statements of operations, comprehensive income and deficit and cash flows for the thirteen month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the thirteen month period then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at November 30, 2006 and for the year then ended, prior to adjustment for the change in reporting currency as described in Note 2 (i), were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 14, 2007. We have audited the adjustments to the 2006 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.



Chartered Accountants  
March 14, 2008

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Consolidated statement of operations, comprehensive income and deficit

Thirteen months ended December 31, 2007

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

	Thirteen months ended December 31, 2007	Year ended November 30, 2006
	\$	\$
Revenues	131,084	-
Operating expenses	(80,723)	-
Depreciation and depletion	(18,973)	-
Earnings from mine operations	31,388	-
Corporation administration <sup>(1)</sup>	(13,295)	(254)
Exploration	(3,983)	-
Earnings (loss) from operations	14,110	(254)
Other income (expense)		
Interest and other income	4,113	7
Interest and finance fees	(459)	-
Loss on foreign exchange	(2,864)	-
Earnings (loss) from continuing operations	14,900	(247)
Earnings from discontinued operations	-	10,189
Income and mining taxes (Note 8)	(287)	-
<b>Net earnings and comprehensive income</b>	<b>14,613</b>	<b>9,942</b>
Deficit, beginning of period	(23,477)	(33,419)
<b>Deficit, end of period</b>	<b>(8,864)</b>	<b>(23,477)</b>
<sup>(1)</sup> Stock option expense (a non-cash item included in corporation administration)	6,156	59
Earnings per share from continuing operations		
Basic	0.03	-
Diluted	0.02	-
Earnings per share		
Basic	0.03	0.09
Diluted	0.02	0.08
Weighted average number of shares outstanding (in thousands) (Note 7 (g))		
Basic	534,279	108,057
Diluted	682,263	119,091

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Consolidated balance sheet

as at December 31, 2007

(Expressed in thousands of U.S. dollars)

	December 31, 2007	November 30, 2006
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	149,924	328
Short-term investments	32,440	-
Accounts receivable	18,123	14
Inventories and stockpiled ore (Note 5)	39,792	-
Prepaid expenses and other	1,624	-
	<b>241,903</b>	<b>342</b>
Mining interests (Note 6)	315,831	-
Intangible royalty asset	14,664	-
	<b>572,398</b>	<b>342</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	22,835	13
Income and mining taxes payable	4,960	-
	<b>27,795</b>	<b>13</b>
Reclamation and closure cost obligations (Note 9)	18,036	-
Future income and mining taxes (Note 8)	25,943	-
Employee benefits and other	3,253	-
	<b>75,027</b>	<b>13</b>
<b>Shareholders' equity</b>		
Common shares (Note 7 (b))	339,796	25,313
Special warrants (Note 7 (c))	104,166	-
Contributed surplus (Note 7 (b))	63,839	59
Accumulated other comprehensive loss	(1,566)	(1,566)
Deficit	(8,864)	(23,477)
	<b>497,371</b>	<b>329</b>
	<b>572,398</b>	<b>342</b>

Commitments (Note 13)

Approved by the Board

\_\_\_\_\_  
Robert Gallagher, Director

\_\_\_\_\_  
Gordon Keep, Director

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Consolidated statement of cash flows Thirteen months ended December 31, 2007

(Expressed in thousands of U.S. dollars)

	Thirteen months ended December 31, 2007	Year ended November 30, 2006
	\$	\$
<b>Operating activities</b>		
Net earnings	14,613	9,942
Items not involving cash		
Unrealized foreign exchange loss	5,062	-
Depreciation and depletion	18,973	-
Stock option expense	6,156	59
Future income and mining taxes	(6,537)	-
Gain on disposal of subsidiaries	-	(10,433)
Other	224	-
Change in non-cash working capital (Note 11)	(11,871)	112
	<b>26,620</b>	<b>(320)</b>
<b>Investing activities</b>		
Mining interests	(27,052)	-
Acquisition, net of cash acquired	(190,552)	-
Purchase of short-term investments	(32,440)	-
	<b>(250,044)</b>	<b>-</b>
<b>Financing activities</b>		
Common shares issued on exercise of warrants/ options	1,492	648
Common shares issued in private placement, net	267,362	-
Special warrants issued in private placement, net	104,166	-
	<b>373,020</b>	<b>648</b>
Increase in cash and cash equivalents	149,596	328
Cash and cash equivalents, beginning of period	328	-
<b>Cash and cash equivalents, end of period</b>	<b>149,924</b>	<b>328</b>
Cash and cash equivalents are comprised of		
Cash	10,312	328
Short-term money market instruments	139,612	-
	<b>149,924</b>	<b>328</b>

Supplemental cash flow information (Note 11)

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 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. Corporations 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. As part of the proposal to creditors, all of the shares of the Company's subsidiaries were left with the Trustee. All liabilities at November 30, 2005 were at the subsidiary levels and consequently, during the year ended November 30, 2006, the Company was no longer obligated for this debt. The amounts are therefore no longer obligations of the Company and consequently, a gain on disposal of subsidiaries has been recorded which is included in the statement of operations and deficit. The gain on disposal of subsidiaries was \$10.4 million.

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. ("Goldcorp") (see Note 4) and changed its name to Peak Gold Ltd. (the "Company").

### 2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") using the following significant accounting policies.

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

These consolidated financial statements include the accounts of the Company and all of its subsidiaries.

The principal subsidiaries of the Company as of December 31, 2007 are as follows:

<u>Subsidiary</u>	<u>Interest</u>
Mineracao Pedra Branca do Amapari Ltda. ("Amapari") <sup>(1)</sup>	100%
Peak Gold Mines Pty ("Peak") <sup>(2)</sup>	100%

<sup>(1)</sup> The results of the Company include Amapari from April 3, 2007, the date of acquisition, onward (Note 4).

<sup>(2)</sup> The results of the Company include Peak from April 27, 2007, the date of the acquisition, onwards (Note 4).

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

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

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

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.

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 4).

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 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.

(d) *Short-term investments*

Short-term investments include those short-term money market instruments which, on acquisition, have a term to maturity of greater than 90 days but less than one year.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

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

#### (e) *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 in the 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).

#### (f) *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 reserve value is noted as depletable mining properties in Note 6. 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. Resource value and exploration potential value is noted as non-depletable mining properties in Note 6. 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

December 31, 2007

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

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

#### (f) *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.

Drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contains proven and probable reserves are exploration expenditures and are expense as incurred to the date of establishing that property costs are economically recoverable. Further development expenditures, subsequent to the establishment of economic recoverability, 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.

#### (g) *Intangible asset*

Intangible assets consist of a royalty agreement between Amapari and a third party, valued upon acquisition (Note 4). The agreement arose from the initial purchase of the Amapari mine leases. Under the agreement, the Company receives 1% of gross revenues from iron ore mined by the third party on adjacent properties. The asset is amortized on a units-of-production basis which is measured by a portion of the third party mine's economically recoverable and proven ore reserves recovered during the period. As of December 31, 2007, no amortization has been taken as production under the terms of the royalty agreement has not commenced.

The Company reviews and evaluates the intangible annually or when events or changes in circumstances indicate the carrying amount may not be recoverable.

#### (h) *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.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

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

#### (i) *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.

#### (j) *Employee benefits*

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognized in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within one year are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

#### (k) *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 4). 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 = Cdn1.1369. Shareholder's equity was translated using the rates in effect at the date of the transaction. All resulting exchange differences are reported in accumulated other comprehensive income, a separate component of shareholders' equity.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

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

*(k) Foreign currency translation (continued)*

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.

*(l) 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 period. 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.

*(m) 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.

*(n) 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.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 3. Changes in accounting policies

(a) *Accounting policies implemented effective December 1, 2006*

(i) Financial instruments - recognition and measurement

Effective December 1, 2006, the Company adopted the new accounting standards, 1530, *Comprehensive Income*, 3251, *Equity*, 3855, *Financial Instruments - Recognition and Measurement* ("Section 3855"), 3861, *Financial Instruments - Disclosure and Presentation*, and 3865, *Hedges*, which address the classification, recognition and measurement of financial instruments in the financial statements, the inclusion of other comprehensive income, and establish the standards for hedge accounting.

Under Section 3855, 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 Section 3855, the Company has designated its cash and short-term investments 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.

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 Section 1530, 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.

These accounting policies were adopted retrospective without restatement.

(ii) In March 2006, the Emerging Issues Committee issued Abstract 160, *Stripping Costs Incurred in the Production Phase of a Mining Operation* ("EIC-160"). EIC-160 discusses the treatment of costs associated with the activity of removing overburden and other mine waste minerals in the production phase of a mining operation and concludes that such stripping costs should be accounted for according to the benefit received by the entity and recorded as either a component of inventory or a betterment to the mineral property, depending on the benefit received. The implementation of EIC-160, effective December 1, 2006, did not have a material effect on the Company's consolidated financial position and results of operations.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 3. Changes in accounting policies (continued)

(b) *Accounting policies to be implemented effective January 1, 2008*

Two new Handbook sections, 3862, *Financial Instruments - Disclosure*, and 3863, *Financial Instruments - Presentation*, will replace Section 3861, *Financial Instruments - Disclosure and Presentation*. These new sections incorporate many of the disclosure requirements in the existing section, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments.

Section 1535, *Capital Disclosure*, establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, as well as quantitative information about capital.

Section 3031, *Inventories*, which replaces the existing Section 3030, establishes standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead, requires impairment testing and expands the disclosure requirements. The adoption of Section 3031 is not expected to have a material impact on the Company's consolidated financial position and results of operations.

(c) *Accounting policies to be implemented effective January 1, 2009*

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets* and Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to the Company's financial statements for its fiscal year beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

### 4. Business combination

On February 15, 2007, the Company entered into an agreement with 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. 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.

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 4. Business combination (continued)

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\$267.4 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 a director of the Company was an officer. This amount has been recorded as an acquisition cost. In addition, the Company has capitalized cash transaction costs of approximately \$1.8 million relating to the Acquisition.

The final allocation of the assets and liabilities acquired is as follows:

	\$
Purchase price	
Cash	200,000
155 million common shares	100,000
Acquisition costs	5,032
	<hr/> 305,032
Net assets acquired	
Cash and cash equivalents	11,212
Accounts receivable	4,391
Inventories and stockpiled ore	40,286
Mining interests	299,535
Intangible asset	14,664
Other	5,091
Current liabilities	(23,618)
Reclamation and closure cost obligations	(16,662)
Future income tax liabilities, net	(29,867)
	<hr/> 305,032

For purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed, including the allocation of mining interests to depletable and non-depletable properties, and plant and equipment, based on management's best estimates, and also taking into account all available information at the time of acquisition.

# Peak Gold Ltd.

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## Notes to the consolidated financial statements

December 31, 2007

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

### 5. Inventories and stockpiled ore

	2007	2006
	\$	\$
Supplies	15,092	-
Work-in-process (a)	7,505	-
Heap leach ore (b)	12,254	-
Stockpiled ore (c)	1,106	-
Finished goods	3,835	-
	<b>39,792</b>	<b>-</b>

(a) *Work-in-process*

Work-in-process is the stage between the product (gold and copper) as it sits as a raw material (mined or stockpiled ore), and when it has been converted into the finished product (doré or concentrate).

(b) *Heap leach inventory*

The recovery of gold from certain oxide ores is achieved through the heap leaching process used at the Amapari mine. Under this method, ore is placed on leach pads where it is treated with a chemical solution which dissolves the gold contained in the ore.

(c) *Stockpiled ore*

The low-grade stockpiled ore is located at Amapari and Peak mines and is forecasted to be drawn down throughout the remainder of the life of the mines.

### 6. Mining interests

	December 31, 2007		
	Cost	Accumulated depreciation and depletion	Net book value
	\$	\$	\$
Mining properties	190,163	2,687	187,476
Plant and equipment	144,641	16,286	128,355
	<b>334,804</b>	<b>18,973</b>	<b>315,831</b>

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 6. Mining interests (continued)

A summary of property by net book value is as follows:

	Mining properties			Plant and equipment	Total
	Depletable	Non-depletable	Total		
	\$	\$	\$	\$	\$
Amapari	12,902	86,629	99,531	75,213	174,744
Peak	3,781	84,164	87,945	52,552	140,497
Corporate	-	-	-	590	590
	16,683	170,793	187,476	128,355	315,831

### 7. Share capital

(a) *Authorized*

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

(b) *Share capital*

	Issued and fully paid common		Contributed surplus
	Number of shares	Amount	
		\$	\$
Balance, November 30, 2005	100,001,396	24,661	-
Issued for private placement (net of issue costs)	15,000,000	648	-
Exercise of warrants	50,000	4	-
Stock option expense	-	-	59
Balance, November 30, 2006	115,051,396	25,313	59
Issued for cash in private placement (net of issue costs of \$14,248)	435,000,000	209,689	57,673
Issued for acquisition (Note 4)	160,000,000	103,253	-
Exercise of stock options	1,290,000	175	(49)
Exercise of warrants	14,950,000	1,366	-
Stock option expense (Note 7 (d))	-	-	6,156
Balance, December 31, 2007	726,291,396	339,796	63,839

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 7. Share capital (continued)

#### (c) Special warrants

On November 28, 2007, the Company completed a private placement financing of 147,723,334 Special Warrants at a price of Cdn\$0.75 per Special Warrant for total gross proceeds at Cdn\$110.8 million (US\$111.8 million) and net proceeds after issue costs of Cdn\$103.2 million (US\$104.2 million). Each Special Warrant will entitle the holder thereof to receive one unit of the Company, at no additional cost. Each unit will be comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional share purchase warrant, at a price of Cdn\$0.90 until November 28, 2012. Subsequent to the year end, the Special Warrants were exercised.

On February 28, 2008, the 147,723,334 Special Warrants outstanding at December 31, 2007 were converted into 147,723,334 common shares of the Company and 73,861,667 common share purchase warrants.

#### (d) 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, 2005	-	-
Granted	1,600,000	0.10
Balance, November 30, 2006	1,600,000	0.10
Exercised	(1,290,000)	0.10
Cancelled	(409,000)	0.93
Granted	21,595,000	0.92
Balance, December 31, 2007	21,496,000	0.91

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 7. Share capital (continued)

#### (d) Stock options (continued)

The following table summarizes information about the stock options outstanding at December 31, 2007:

Number of stock options outstanding	Number of options exercisable	Options outstanding	
		Weighted average exercise price Cdn\$	Weighted average remaining contractual life
310,000	310,000	0.10	3.3 years
20,786,000	7,065,000	0.93	4.3 years
400,000	100,000	0.65	1.7 years
21,496,000	7,475,000	0.91	4.2 years

On February 27, 2008, the Company granted 5,092,000 stock options to employees. These options have an exercise price of Cdn\$0.63, vest over three years and have a contractual life of five years from date of grant.

#### (e) Stock-based compensation

As a result of the stock options granted during the period ended December 31, 2007, the Company recorded \$6.2 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 (November 30, 2006 - \$0.04) using the following assumptions: no dividends are to be paid; volatility of 60% (November 30, 2006 - 41%), risk free interest rate of 4.0%; and expected life of 3.5 years.

#### (f) Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price Cdn\$
Balance, November 30, 2005	-	-
Issued	15,000,000	0.10
Exercised	(50,000)	0.10
Balance, November 30, 2006	14,950,000	0.10
Exercised	(14,950,000)	0.10
Issued	217,500,000	1.50
Balance, December 31, 2007	217,500,000	1.50

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 7. Share capital (continued)

#### (f) Warrants (continued)

The Company issued 217.5 million warrants in connection with a private placement (Note 4). Each warrant entitles the holder 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 48%, risk free interest rate of 4%; and expected life of 5 years.

#### (g) Diluted earnings per share

The following table sets forth the computation of diluted earnings per share:

	2007
Earnings available to common shareholders	\$14,613
<i>(in thousands)</i>	
Basic weighted average number of shares outstanding	534,279
Effect of dilutive securities	
Special warrants	147,723
Stock options	261
<u>Diluted weighted average number of shares outstanding</u>	<u>682,263</u>
Earnings per share	
Basic	\$0.03
Diluted	\$0.02

The following lists the stock options and share purchase warrants excluded from the computation of diluted earnings per share because the exercise prices exceeded the average market value of the common shares of Cdn\$0.63 for the year. The warrants related to Special Warrants (Note 7 (c)) were issued subsequent to year end.

	2007
Stock options	21,186
Share purchase warrants	217,500

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 8. Income and mining taxes

	Thirteen months ended December 31, 2007	Year ended November 30, 2006
	\$	\$
Current income and mining tax expense	6,824	-
Future income and mining tax expense	(6,537)	-
	<b>287</b>	-

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	Thirteen months ended December 31, 2007	Year ended November 30, 2006
	\$	\$
Earnings before income taxes	14,900	9,942
Canadian federal and provincial income tax rates	34.12%	36.10%
Income tax expense based on above rates	5,084	3,589
Increase (decrease) due to		
Non-deductible expenditures	2,486	-
Lower statutory tax rates on earnings of foreign subsidiaries	(1,183)	-
Benefits of losses not recognized in period	2,137	156
Non-taxable portion of gain	-	(1,862)
Other change in valuation allowance	(8,237)	(1,883)
	<b>287</b>	-

# Peak Gold Ltd.

(formerly GPJ Ventures Ltd.)

## Notes to the consolidated financial statements

December 31, 2007

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

### 8. Income and mining taxes (continued)

The components of future income taxes are as follows:

	<b>Thirteen months ended December 31, 2007</b>	Year ended November 30, 2006
	\$	\$
Future income and mining tax assets		
Non-capital losses	<b>11,308</b>	154
Deductible temporary differences and other	<b>13,601</b>	8
Value of future income tax and mining assets	<b>24,909</b>	162
Valuation allowance	<b>(8,399)</b>	(162)
	<b>16,510</b>	-
Future income and mining tax liabilities		
Taxable temporary differences	<b>(42,453)</b>	-
Future income and mining tax liabilities, net	<b>(25,943)</b>	-
Presented on the consolidated balance sheet as		
Future income and mining tax assets	<b>16,510</b>	-
Future income and mining tax liabilities	<b>(42,453)</b>	-
Future income and mining tax liabilities, net	<b>(25,943)</b>	-

Deductible temporary differences are comprised primarily of book to tax differences relating to the Company's reclamation liabilities. Taxable temporary differences are comprised primarily of book to tax differences relating to the value of the Company's mining interests acquired from corporate acquisitions.

#### *Tax loss carryforwards*

At December 31, 2007, the Company had Canadian income tax losses of \$8.6 million that expire from 2025 through 2027 and Canadian capital losses of \$7.3 million that will be available to offset future capital gains. These capital losses carry forward indefinitely. The Company has Brazilian income tax losses of approximately \$43.5 million that can be carried forward indefinitely.

# Peak Gold Ltd.

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## Notes to the consolidated financial statements

December 31, 2007

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

### 9. Reclamation and closure cost obligations

The Company's asset retirement obligations consist of reclamation and closure costs for Amapari and Peak. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs.

The liability for reclamation and closure cost obligations at December 31, 2007 is \$18.0 million (2006 - \$Nil million). The undiscounted value of this liability is \$28.8 million (2006 - \$Nil million). An inflation rate assumption of 2% has been used. An accretion expense component of \$2.0 million (2006 - \$Nil) has been charged to operations in 2007 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 6.5%. Changes to the reclamation and closure cost balance during the year are as follows:

	Thirteen months ended December 31, 2007
	\$
Reclamation and closure cost obligations, opening balance	-
Arising on acquisition of Amapari (Note 4)	10,312
Arising on acquisition of Peak Mines (Note 4)	6,349
Reclamation expenditures	-
Accretion expense, included in depreciation and depletion	2,025
Revisions in estimates and liabilities incurred	(650)
<u>Reclamation and closure cost obligations, closing balance</u>	<u>18,036</u>

### 10. Related party transactions

During the thirteen month period ended December 31, 2007, the Company paid Endeavour \$0.1 million in advisory fees and rent. As of December 31, 2007, deferred acquisition costs include \$0.1 million paid in consulting fees to Endeavor and approximately \$3.2 million relating to shares issued to Endeavour as part of a transaction success fee (Note 4).

During the thirteen month period ended December 31, 2007, the Company paid Goldcorp \$0.1 million in management fees. As of December 31, 2007, accounts payable includes approximately \$0.6 million owing to Goldcorp.

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.

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## Notes to the consolidated financial statements

December 31, 2007

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

### 11. Supplemental cash flow information

	Thirteen months ended December 31, 2007	Year ended November 30, 2006
	\$	\$
Change in non-cash working capital		
Accounts receivable	(17,554)	-
Inventories and stockpiled ore	2,279	-
Accounts payable and accrued liabilities	5,400	126
Other	(1,996)	(14)
	<b>(11,871)</b>	112
Non-cash financing and investing activities		
Shares issued on acquisition (Note 7 (b))	103,253	-
Operating activities included the following payments		
Interest paid	-	-
Income taxes paid	3,092	-

### 12. 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 Mines	Other <sup>(1)</sup>	Total
	\$	\$	\$	\$
<b>Thirteen months ended December 31, 2007</b>				
Revenues	48,369	82,715	-	131,084
Depletion and depreciation	9,129	9,805	39	18,973
(Loss) earnings from operations	(321)	25,786	(11,355)	14,110
Total assets	215,971	184,056	172,371	572,398
Expenditures for mining interests	(6,108)	(20,315)	(629)	(27,052)

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

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

# **Peak Gold Ltd.**

(formerly GPJ Ventures Ltd.)

## **Notes to the consolidated financial statements**

**December 31, 2007**

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

### **13. Commitments**

As of December 31, 2007, commitments exist for capital expenditures of approximately \$2.1 million to be spent in 2008.

# CORPORATE DIRECTORY

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## **Directors**

Frank Giustra  
Ian Telfer  
Robert Cross  
Gordon Keep  
Julio Carvalho  
Robert Gallagher

## **Stock Exchange Listing**

TSX Venture Exchange: PIK

## **Transfer Agent**

Computershare Trust Company of Canada  
**T** 800 564 6253 (North America) and  
514 982 7555 (International)  
**F** 604 661 9401

## **Regulatory Filings**

The Company's filings with the British Columbia Securities Commission can be accessed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Auditors**

Deloitte & Touche LLP  
Vancouver, BC

**PEAK GOLD LTD.**  
3110-666 Burrard St.  
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