

VALGOLD RESOURCES LTD.
(an exploration stage company)
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2009 and 2008

AUDITORS' REPORT

To the Shareholders of ValGold Resources Ltd.

We have audited the consolidated balance sheets of ValGold Resources Ltd. as at July 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive loss, shareholders' equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 July 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
December 15, 2009

VALGOLD RESOURCES LTD.

(an exploration stage company)

Consolidated Balance Sheets

As at July 31, 2009 and 2008

	2009	2008
		(restated) (Note 2 (a))
Assets		
Current assets		
Cash and cash equivalents	\$ 10,892	\$ 236,485
Accounts receivable and prepaids	18,208	125,535
Investments (Note 6)	88,690	--
	117,790	362,020
Investments (Note 6)	--	213,110
Buildings and equipment (Note 7)	52,862	104,374
Mineral property interests (Notes 5 and 15)	1,757,882	1,705,650
	\$ 1,928,534	\$ 2,385,154
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 965,201	\$ 1,199,606
Due to related parties (Note 9)	574,756	351,308
	1,539,957	1,550,914
Shareholders' equity		
Share capital (Note 8)	51,610,414	51,286,918
Warrants	386,642	2,101,899
Contributed surplus (Note 8 (d))	3,295,707	1,563,547
Accumulated other comprehensive loss	--	(136,886)
Deficit	(54,904,186)	(53,981,238)
	388,577	834,240
	\$ 1,928,534	\$ 2,385,154

Going concern uncertainty (Note 1) and measurement uncertainty (Note 5 (f))

Contingency (Note 9 (a))

Subsequent events (Notes 5 (a), (b) and (c), and 8 (c) and (e))

See accompanying notes to consolidated financial statements.

Approved by the Directors

“Kenneth Yurichuk”

Kenneth Yurichuk
Director

“Stephen J. Wilkinson”

Stephen J. Wilkinson
Director

VALGOLD RESOURCES LTD.

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Consolidated Statements of Operations and Deficit
Years ended July 31, 2009 and 2008

	2009	2008 (restated) (Note 2 (a))
Expenses		
Amortization	\$ 12,520	\$ 4,179
Exploration expenses (Note 15)	437,293	4,554,472
Foreign exchange loss (gain)	46,572	(24,032)
Interest expense	40,342	--
Legal, accounting and audit	83,655	183,869
Management fees (Note 9 (c, d))	49,874	93,646
Office and administration (Note 9 (a))	220,722	370,102
Salaries and benefits	409,981	486,000
Shareholder communications	63,176	268,961
Stock-based compensation (Note 8 (d))	13,970	221,082
Travel and conferences	19,010	102,475
	1,397,115	6,260,754
Property investigation (recoveries)	--	(8,414)
Write-down of mineral property interests (Notes 5 and 15)	--	8,343,884
Gain on debt settlement (Note 1)	(696,498)	--
Loss/(gain) on sale of investments	116,971	(132,680)
Impairment write-down on investments	105,985	--
Interest and other income	(625)	(67,707)
Loss for the year	(922,948)	(14,395,837)
Deficit, beginning of year	(53,981,238)	(39,585,401)
Deficit, end of year	\$ (54,904,186)	\$ (53,981,238)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.19)
Weighted average number of common shares outstanding – basic and diluted	93,727,243	76,657,349

Consolidated Statements of Comprehensive Loss

	2009	2008 (restated) (Note 2 (a))
Loss for the year before comprehensive loss	\$ (922,948)	\$ (14,395,837)
Unrealized loss on available-for-sale investments	--	(407,159)
Realized loss on disposition of investments	30,901	--
Impairment of investments	105,985	--
Comprehensive loss	\$ (786,062)	\$ (14,802,996)

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Shareholders' Equity

Years ended July 31, 2009 and 2008

	Common Shares Without Par Value		Warrants	Contributed Surplus	Deficit (restated) (Note 2 (a))	Accumulated Other Comprehensive Income	Total Shareholders' Equity (restated) (Note 2 (a))
	Shares	Amount					
Balance, July 31, 2007 (restated) (Note 2 (a))	59,496,280	\$ 42,816,992	\$ 1,872,913	\$ 1,264,150	\$ (39,585,401)	\$ --	\$ 6,368,654
Shares issued for mineral property interests and other							
Hunter Mine	55,000	23,100	--	--	--	--	23,100
Venezuela properties option payment	15,014,443	5,330,127	--	--	--	--	5,330,127
Guyana properties option payments	200,000	58,000	--	--	--	--	58,000
Finders' fees related to Venezuela option payment	890,073	315,976	--	--	--	--	315,976
Shares issued for cash							
Stock options exercised	450,000	264,330	--	(151,827)	--	--	112,503
Warrants exercised	550,000	250,656	(30,656)	--	--	--	220,000
Warrants expired, unexercised	--	--	(120,000)	120,000	--	--	--
Agents' warrants exercised	54,040	19,160	(7,001)	--	--	--	12,159
Private placements, less share issue costs	12,915,000	2,208,577	386,643	--	--	--	2,595,220
Stock-based compensation	--	--	--	331,224	--	--	331,224
Transition adjustment to opening balance	--	--	--	--	--	270,273	270,273
Net change in unrealized gain / loss on investments for the year	--	--	--	--	--	(407,159)	(407,159)
Loss for the year	--	--	--	--	(14,395,837)	--	(14,395,837)
Balance, July 31, 2008 (restated) (Note 2 (a))	89,624,836	51,286,918	2,101,899	1,563,547	(53,981,238)	(136,886)	834,240
Shares issued for mineral property interests and other							
Tower Mountain annual pre-production royalty paid in shares	250,000	25,000	--	--	--	--	25,000
Shares issued to settle debt	19,899,700	298,496	--	--	--	--	298,496
Stock-based compensation	--	--	--	16,903	--	--	16,903
Loss realized on available-for-sale investments	--	--	--	--	--	136,886	136,886
Warrants expired, unexercised	--	--	(1,715,257)	1,715,257	--	--	--
Loss for the year	--	--	--	--	(922,948)	--	(922,948)
Balance, July 31, 2009	109,774,536	\$ 51,610,414	\$ 386,642	\$ 3,295,707	\$ (54,904,186)	\$ --	\$ 388,577

See accompanying notes to consolidated financial statements.

VALGOLD RESOURCES LTD.

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Consolidated Statements of Cash Flows

Years ended July 31, 2009 and 2008

	2009	2008
		(restated) (Note 2 (a))
Cash flows provided by (used in) operating activities		
Loss for the year	\$ (922,948)	\$ (14,395,837)
Items not involving cash		
Amortization and amortization in site activities	51,512	166,267
Stock-based compensation	16,903	331,224
Loss (gain) on available-for-sale investments	116,971	(132,680)
Impairment write-down on investments	105,985	--
Gain on debt settlement	(696,498)	--
Securities received	--	(41,000)
Write-down of mineral property interests	--	8,343,884
Changes in non-cash operating working capital		
Accounts receivable and prepaids	107,327	121,177
Due to/from related parties	--	440,807
Accounts payable and accrued liabilities	760,590	619,669
	(460,158)	(4,546,489)
Cash flows provided by (used in) investing activities		
Mineral property interests		
Acquisition costs	(27,232)	(1,621,819)
Proceeds on sale of marketable securities	38,349	175,838
Proceeds on sale of equipment	--	21,392
Acquisition of equipment	--	(60,575)
Proceeds from short-term investments	--	2,074,969
	11,117	589,805
Cash flows from financing activities		
Common shares and warrants, less share issue costs	--	2,939,882
Related party advances	223,448	--
	223,448	2,939,882
Increase in cash and cash equivalents during the year	(225,593)	(1,016,802)
Cash and cash equivalents, beginning of year	236,485	1,253,287
Cash and cash equivalents, end of year	\$ 10,892	\$ 236,485

Supplementary cash flow information (Note 13)

See accompanying notes to consolidated financial statements.

VALGOLD RESOURCES LTD.

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Notes to Consolidated Financial Statements

Years ended July 31, 2009 and 2008

1. Nature of operations and going concern uncertainty

ValGold Resources Ltd. ("the Company") is incorporated under the British Columbia Business Corporations Act. The Company is presently engaged in the business of exploration and development of mineral properties in Canada and Venezuela, and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable.

The accompanying consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. Several adverse conditions as set out below cast significant doubt on the validity of the Company as a going concern operating in the normal course of business. At July 31, 2009, the Company has no source of operating cash flow and an accumulated deficit of \$54,904,186 (2008 (restated) - \$53,981,238). At July 31, 2009, the Company has a working capital deficiency of \$1,422,168. Operations for the year ended July 31, 2009, were funded primarily from the sale of shares of marketable securities and the use of cash on hand and advances from related parties. During the year ended July 31, 2009, the Company issued 19,899,700 common shares to creditors for settlement of liabilities at a deemed price of \$0.05 per common share for liabilities totalling \$994,994. Of this amount, \$696,498 was recorded as a gain on debt settlement, and the balance of \$298,496 as share capital.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The Company has entered into an option agreement on its Tower Mountain property (Note 5 (b)), but as yet, the optionor has been unable to fund its planned exploration program. Subsequent to July 31, 2009, the Company signed a final option agreement on its Garrison property (Note 5 (a)), and received the first payment under the option agreement comprised of \$25,000 in cash and 2,178,500 common shares of Northern Gold Mining Inc. ("Northern Gold"), which become free-trading in February 2010.

The current financial equity market conditions, and the challenging funding environment make it difficult to raise funds by private placements of shares. There is no assurance that the Company will be successful with any financing ventures. It is dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of mineral property interests and other assets, and settlement of debts by share issuances, or other form of equity financing, there is no assurance that any such activity will generate funds that will be available for operations.

The consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown as mineral property interests represent acquisition costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral property interests is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

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Notes to Consolidated Financial Statements

Years ended July 31, 2009 and 2008

2. Changes in accounting policy and adoption of recent accounting pronouncements

(a) Exploration expenditures

During the year ended July 31, 2009, the Company retrospectively changed its accounting policy for exploration expenditures to align itself with policies adopted by other exploration stage mining companies. In previous years, the Company had capitalized all such costs to mineral property interests held directly or through an investment, and only wrote down capitalized costs when the property was abandoned or determined to be impaired.

On March 27, 2009 the Emerging Issues Committee ("EIC") of the CICA issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties, in particular, and on impairment of long-lived assets in general.

The Company has retrospectively changed its accounting policy to expense exploration costs until the mineral property interest is deemed to reach the development stage, at which time it will commence capitalizing development costs. Significant costs related to mineral property acquisitions, including allocations for undeveloped mineral property interests, are capitalized until the viability of the mineral property interest is determined. After an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. The impact of this change on the previously reported July 31, 2008, consolidated financial statements is as follows:

	As Previously Reported	Restatement	As Restated
Mineral properties interests at July 31, 2008	\$ 11,181,332	\$ (9,475,682)	\$ 1,705,650
Deficit at July 31, 2008	44,505,556	9,475,682	53,981,238
Cumulative changes in deficits prior to July 31, 2008	28,928,037	10,657,364	39,585,401
Changes to the statement of operations in the year ended July 31, 2008			
Exploration expenses	--	4,554,472	4,554,472
Future income tax recovery reversed	(56,811)	56,811	--
Write-down of mineral property interests	14,136,849	(5,792,965)	8,343,884
Loss for the year ended July 31, 2008	15,577,519	(1,181,682)	14,395,837
Loss per share for the year ended July 31, 2008	\$0.20	(0.01)	\$0.19
Cumulative changes in deficit and mineral property interests		9,475,682	
Change in cumulative deficit, restated, 2008	\$ 39,585,401	\$ 14,395,837	\$ 53,981,238

See Note 1 for a discussion on operations and the Company's ability to continue as a going concern.

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Years ended July 31, 2009 and 2008

2. Changes in accounting policy and adoption of recent accounting pronouncements (continued)

(b) Financial instruments

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

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

These amendments are required to be adopted for fiscal years ending after September 30, 2009, but early adoption is permitted. The Company has adopted these amendments for the fiscal year ended July 31, 2009.

See Note 11 for information disclosed in respect of the Company's financial instruments.

3. Significant accounting policies

(a) Basis of presentation

These consolidated financial statements are prepared using accounting principles generally accepted in Canada ("Canadian GAAP") and include the accounts of ValGold Resources Ltd. and its wholly-owned subsidiaries, Grupo ValGold de Venezuela, C.A., and Global Horizon Inc., Honnold Corp. and its direct and indirect subsidiaries. All inter-company transactions are eliminated on consolidation. All amounts are reported and measured in Canadian dollars.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates may include the determination of impairment of equipment and mineral property interests, investments, reclamation obligations, rates of amortization, valuation of stock-based compensation, securities issued for non-cash consideration, allocating proceeds from issuance of units to the component securities and future income taxes. The use of such judgment includes, but is not limited to future mineral prices and project capital, and operating and reclamation costs. Actual results could differ from those estimated.

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Notes to Consolidated Financial Statements
Years ended July 31, 2009 and 2008

3. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents include cash and short-term money market investments that are readily convertible to cash with original maturities of 90 days or less from the original date of acquisition. Interest from cash and cash equivalents is recorded on an accrual basis. The Company has designated cash and cash equivalents as held-for-trading. All gains and losses are included in the consolidated statement of operations in the period in which they arise.

(d) Mineral property interests

During the year ended July 31, 2009, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (See Note 2 (a)).

Mineral property acquisition costs are recorded at cost. When shares are issued as part of mineral property costs, they are valued at the closing share price on the date of issuance. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the accounts upon payment. Mineral property exploration costs are expensed until the property reaches the development stage. Once the property reaches the development stage, accumulated costs will be capitalized and amortized over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned or determined to be impaired. Option payments received are treated as a reduction of the carrying value of the related mineral property interest until the Company's option and/or royalty payments received are in excess of costs incurred and then are credited to operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements and regulatory requirements. The Company is not aware of any disputed claims of title.

Administrative costs and property investigation costs are expensed as incurred.

(e) Investments and comprehensive income

Investments other than derivatives are classified as available-for-sale, and are measured at fair value, where applicable, or at an estimate of fair value. Resulting unrealized gains net of applicable future income taxes, or losses, are reflected in other comprehensive income while realized gains, net of income taxes, or losses are included in the consolidated statement of operations. Unrealized gains and losses are recognized directly in other comprehensive income, except for other than temporary impairment losses, which are recognized in net earnings. Investments are reviewed on a regular basis to determine whether there has been a decline in value that is other than temporary. For the purpose of measuring any decline in value, the Company takes into account many facts related to each investment as well as all the factors that encompass, without being inclusive, a significant or prolonged decline in fair value, important financial distress of the issuer, a breach of contract, an increasing risk of issuer's bankruptcy, and disappearance of an active market for the financial asset concerned. If it is determined that the security is not impaired, an other-than-temporary impairment shall be considered to have occurred. If the decline in fair value is judged to be other than temporary, the cost basis of the individual security will be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings, (that is, accounted for as a realized loss).

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3. Significant accounting policies (continued)

(f) Buildings and equipment and amortization

Buildings and equipment are recorded at cost. Amortization is recorded using a straight-line method based on the estimated future lives of the assets at rates ranging from three to ten years.

(g) Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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

(h) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Potential future income tax assets also result from unused loss carry forwards and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(i) Asset retirement obligations

Asset retirement obligations are recognized when a legal obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

It is reasonably possible that the Company's estimates of its ultimate reclamation and site restoration liability could change as a result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis. Currently, the Company's projects are under option and at an exploration stage, and accordingly, no such obligations have arisen. The Company currently has no asset retirement obligations.

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Years ended July 31, 2009 and 2008

3. Significant accounting policies (continued)

(j) Translation of foreign currencies

Balances denominated in currencies other than the Canadian dollar and the financial statements of integrated foreign operations are translated into Canadian dollars using the temporal method. Under this method, monetary items are translated at the rate of exchange in effect at the period end. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the average exchange rates prevailing during the period, except for amortization, which is translated at the same exchange rates as the assets to which it relates. Exchange gains or losses are included in income or loss for the year.

(k) Share capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash or in a business combination are valued at the quoted price on the stock exchange on the date the shares are issued.

(l) Stock-based compensation and other equity instruments

The Company has a stock option plan which is described in Note 8. Stock-based compensation is recorded using a fair value based method on the date of grant, determined using the Black-Scholes ("B-S") option pricing model. The fair value of the options is recognized over the vesting period of the options granted as both stock compensation expense and contributed surplus. Proceeds arising from the exercise of stock options are credited to share capital. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and is charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(m) Loss per common share

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average price during the year.

If the Company incurs a loss, outstanding options and warrants are anti-dilutive and therefore basic and diluted loss per common share are the same.

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3. Significant accounting policies (continued)

(n) Flow-through shares

Under the Canadian Income Tax Act, an enterprise may issue securities referred to as flow-through shares. These instruments permit the enterprise to renounce, or transfer to the investor the tax deductions associated with an equal amount of qualifying resource expenditures. In accordance with CICA Handbook Section 3465 – Income Taxes, and Emerging Issues Committee Abstract 146 – Flow-through shares, the Company records a future income tax (“FIT”) liability on the date that the Company files the renouncement documents with the tax authorities, provided that there is reasonable assurance that the expenditures will be made. At the time of recognition of the future income tax liability, an offsetting reduction to share capital is made. In instances where the Company has sufficient unrecognized FIT assets to offset the FIT liability, the Company records an FIT recovery in its Consolidated Statements of Operations and Deficit, relating to previously unrecognized future income tax assets.

(o) Financial instruments

Financial assets, financial liabilities and non-financial derivative contracts are initially recognized at fair value on the balance sheet when the Company becomes a party to their contractual provisions. Measurement in subsequent periods depends on the financial instrument’s classification. The Company’s cash and cash equivalents are classified as held-for-trading and thus are recorded at fair value on the balance sheet, with changes in the fair value of these instruments reflected in operations.

Receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method.

The Company’s loans payable, such as the demand loans, and related accrued interest are all recorded at cost. The fair value of the promissory notes included in due to related parties is estimated to be \$24,000 plus accrued interest of \$1,913. All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the asset or liability.

(p) Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the EIC of the Canadian Accounting Standards Board (AcSB) issued EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities (“EIC 173”), which establishes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 should be applied retrospectively without restatement of prior years to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Company assessed the impact of EIC 173 on its consolidated financial statements and has determined there is no impact.

4. Accounting standards issued but not yet effective

(a) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, replacing Handbook Section 3062, “Goodwill and Intangible Assets”, and Section 3450, “Research and Development Costs”. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. The new section is effective for the Company on August 1, 2009. The Company has no goodwill or intangible assets as of July 31, 2009.

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4. Accounting standards issued but not yet effective (continued)

(b) Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", and Handbook Section 1602, "Non-Controlling Interests", which together replace Handbook Section 1600, "Consolidated Financial Statements". These two sections are equivalent to the corresponding provisions of International Accounting Standard 27, Consolidated and Separate Financial Statements (January 2008). Handbook Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statement. The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new sections also require non-controlling interests to be presented as a separate component of shareholders' equity.

Under Handbook Section 1602, non-controlling interest income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interest based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. The Company is currently assessing the future impact of these new sections on its consolidated financial statements.

(c) Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, and provides the equivalent to International Financial Reporting Standards ("IFRS") 3R, Business Combinations (January 2008). The new section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date.

The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities.

The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new section will only have an impact on our consolidated financial statements for future acquisitions that will be made in periods subsequent to the date of adoption.

5. Mineral property interests

Detailed exploration expenditures incurred in respect to the Company's mineral property interests owned, leased or held under option are disclosed in Note 15. Property payments made on the Company's mineral property interests during the year ended July 31, 2009, are included in the property descriptions below.

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Years ended July 31, 2009 and 2008

5. Mineral property interests (continued)

Year ended July 31, 2009	Opening Balance	Incurred	Write-downs	Closing Balance
Tower Mountain Property, Ontario (b)	\$ 263,708	\$ 50,503	\$ --	\$ 314,211
Venezuela Properties, Venezuela (c)	1,322,558	--	--	1,322,558
Garrison Property, Ontario (a)	119,384	1,729	--	121,113
Total Acquisition Costs	\$ 1,705,650	\$ 52,232	\$ --	\$ 1,757,882
Year ended July 31, 2008 (restated)				
Tower Mountain Property, Ontario (b)	\$ 258,362	\$ 5,346	\$ --	\$ 263,708
Hunter Mine, Ontario	--	3,350	(3,350)	--
Venezuela Properties, Venezuela (c)	2,168,503	7,089,403	(7,935,348)	1,322,558
Manitoba Properties, Manitoba	117,088	--	(117,088)	--
Garrison Property, Ontario (a)	117,655	1,729	--	119,384
Guyana Properties, Guyana	106,987	181,111	(288,098)	--
Total Acquisition Costs	\$ 2,768,595	\$ 7,280,939	\$ (8,343,884)	\$ 1,705,650

(a) Garrison Project, Ontario

In June 2005, the Company purchased 100% interest in 35 claims located in Garrison Township, Kirkland Lake District, Larder Lake Mining Division in northern Ontario for a one-time cash payment of \$110,000.

Subsequent to July 31, 2009, the Company finalized an agreement with Northern Gold Mining Inc. ("Northern Gold"), whereby Northern Gold may acquire an initial 50% undivided interest in the property by making cash payments to the Company of \$1,000,000 over four years, with all or part of the payments being made in Northern Gold common shares at Northern Gold's option, using a 20-day value weighted average price. The Company received \$25,000 in cash and 2,187,500 common shares for the first annual payment of \$200,000. To earn the 50% interest, Northern Gold must also complete exploration work on the property in the amount of \$4,000,000 over four years, with \$500,000 being spent on the property in the first year of the agreement and not less than \$750,000 to be expended in each of the subsequent years. After earning the initial 50% interest, Northern Gold may increase its interest to 80% by making additional cash payments of \$1,000,000 over four years, with all or part of the payments being made in Northern Gold common shares at Northern Gold's option, priced using a 20-day value weighted average price and completing additional exploration work on the property in the amount of \$4,000,000 over the next four years.

(b) Tower Mountain Project, Ontario

In June 2002, the Company entered into an option agreement with two optionors to earn a 100% interest in the Tower Mountain Gold Property located in north western Ontario. The Company earned its interest by making cash payments of \$220,000 and completing \$1,000,000 in exploration expenditures on the property over a four-year period. Commencing in 2008, an annual pre-production royalty of \$25,000 in cash or shares is payable, ending on commencement of production. On August 27, 2008, the Company issued 250,000 common shares at a market price of \$0.10, as payment for the initial royalty payment. The Company also acquired a building on the property at a cost of \$25,000. The property is subject to a 2.5% NSR on production which may be reduced to 1.5% by a payment to the optionors of \$1,000,000 at any time up to the commencement of commercial production. The pre-production royalty due in July 2009 has not been paid, but will be paid when the Company is able. The Company has been in discussions with the holder of the advance royalty payment.

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Years ended July 31, 2009 and 2008

5. Mineral property interests (continued)

Subsequent to July 31, 2009, the Company revised an agreement entered into in early 2009 with HMZ Metals Inc. ("HMZ"), whereby HMZ was granted an option to acquire 50% of the Company's interest in the property. Pursuant to the amended agreement, HMZ must issue to the Company 2,000,000 HMZ post-consolidation common shares on or prior to August 31, 2013, and incur a minimum of \$2,900,000 in expenditures on or in relation to the property. Share issuances are as follows: 400,000 shares upon receipt on regulatory approval, and 400,000 shares at each of the next four anniversaries of regulatory approval; and expenditures of not less than \$350,000 to be spent on the property on or prior to February 28, 2010, and thereafter, no less than \$100,000 on or before August 31, of the next four years to August 31, 2013. In addition, HMZ has agreed to pay the annual taxes on patented claims forming part of the property and make the annual \$25,000 pre-production royalty payment due on the property for the duration of the agreement. HMZ may, at its discretion, accelerate its option and earn its interest in and to the property by completing its obligations at any time prior to the dates set out above. Upon completing its earn-in obligations HMZ would be vested with 50% of the Company's right, title and interest in the property, and the parties would enter into a 50:50 joint venture for the further exploration and development of the property. HMZ is under a cease trade order with the securities' regulators, and the agreement, as amended, may need to be terminated if HMZ is unable to meet its commitments with respect to the property.

(c) Venezuela Properties, Venezuela

In January 2006, the Company entered into a memorandum of understanding with a group of three private companies under which the Company could acquire all of the shares of Honnold Corp, a British Virgin Island company that indirectly held twenty-seven exploration licenses in Bolivar State, Venezuela (the "Venezuela Properties"). The acquisition was accomplished in two phases. Initially, the Company advanced US\$500,000 cash and 5,000,000 common shares as consideration for acquiring the sole and exclusive right and option to purchase the shares of Honnold Corp. The initial shares were issued immediately following regulatory approval of the transaction. The option, as amended, was then exercisable at any time up to October 9, 2007. To complete the exercise of the option, the Company paid the optionors an additional US\$1,500,000 in cash and issued 15,014,443 common shares, with a fair value of US\$5,000,000. The number was calculated based on a per share amount equal to US\$0.20 plus one-half of the difference between US\$0.20 and the average closing price of the Company's common shares as traded on the TSX Venture Exchange over the 90-day period prior to the exercise date, but in any event was to be not less than US\$0.20.

The optionors retain a collective 10% free carried interest in the properties until the completion of a bankable feasibility study on the properties or any portion thereof. If they elect to maintain this interest, they would be obligated to provide their share of funding as required or their 10% interest would be diluted. The optionors also retain a 2% NSR interest in the Venezuela Properties. An arm's length finder's fee was paid in two installments of common shares for a total of 1,265,073 common shares. During the year ended July 31, 2008, the Company decided not to pursue certain of the Venezuela properties and due to market conditions wrote off \$7,935,348 of the acquisition costs. The remaining mineral property costs of \$1,322,558 reflect the costs related to acquisition costs on the Incredible concessions, a portion of the Venezuelan Properties.

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Years ended July 31, 2009 and 2008

5. Mineral property interests (continued)

(d) Measurement uncertainty

The operations in Venezuela are subject to the effects of changes in legal, tax and regulatory regimes, national and local political, labour and economic developments or unrest, currency and exchange controls and import/export restrictions, government bureaucracy and other political risks and uncertain legal enforcement. The Company has not experienced any property specific adverse impact to date on its operations in Venezuela or Canada, but general mining market conditions have deteriorated, particularly with respect to exploration in Venezuela, resulting in a decrease in the price of the Company's common shares and creating difficulty in raising sufficient equity capital to effectively explore or develop the Company's mineral property interests.

One or more of the issues described herein, or other factors beyond our control in future periods could adversely affect the Company's operations and investment in Venezuela and/or Canada in the future, and could result in further potential or total write-downs of the Company's recorded mineral property interests of \$1,757,882 at July 31, 2009. Such write-down amounts could be material.

(e) Summary of property option payments due in fiscal 2010

In order to maintain existing mineral property option agreements, the Company will be required to make advance royalty and/or property tax payments on claims during the year totalling an estimated \$200,000. There is one option payment of cash or payment in common shares for a total \$25,000 that is required to be issued in the year ended July 31, 2010, in addition to the payment due in July 2009 which has not been paid on the Tower Mountain property.

6. Investments

	Number of Shares	Cost July 31, 2009	Fair Value July 31, 2009
Brigadier Gold Ltd.	507,000	\$ 54,925	\$ 10,140
Emgold Mining Corporation (Note 9 (e))	400,000	40,000	32,000
Sultan Minerals Inc. (Note 9 (e))	665,000	99,750	46,550
Total		\$ 194,675	\$ 88,690

	Number of Shares	Cost July 31, 2008	Fair Value July 31, 2008
Mediterranean Minerals Corp.	5,000	\$ 2,000	\$ 775
Brigadier Gold Ltd.	1,275,000	138,125	76,500
Impact Silver Corp.	25,000	41,000	18,000
Total Marketable Securities		\$ 181,125	\$ 95,275

Emgold Mining Corporation (Note 9 (e))	400,000	\$ 40,000	\$ 48,000
Sultan Minerals Inc. (Note 9 (e))	665,000	99,750	69,826
Brigadier Gold Ltd. – warrants	425,000	29,120	9
Total Investments		\$ 168,870	\$ 117,835
Total		\$ 349,995	\$ 213,110

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Notes to Consolidated Financial Statements

Years ended July 31, 2009 and 2008

6. Investments (continued)

During the year ending July 31, 2009, the Company sold 768,000 common shares of Brigadier Gold Ltd., 25,000 common shares of Impact Silver Corp., and 5,000 common shares of Mediterranean Minerals Corp. for net proceeds of \$38,349.

Subsequent to July 31, 2009, the Company sold 507,000 common shares of Brigadier Gold Ltd., 665,000 common shares of Sultan Minerals Inc. and 400,000 common shares of Emgold Mining Corporation for net proceeds of \$65,355.

7. Buildings and equipment

	Cost	Accumulated Amortization	2009 Net Book Value	Cost	Accumulated Amortization	2008 Net Book Value
Vehicles	\$ 21,449	\$ 21,449	\$ --	\$ 49,873	\$ 24,260	\$ 25,613
Office equipment	30,715	27,614	3,101	30,692	13,281	17,411
Buildings	61,339	18,704	42,635	61,339	12,571	48,768
Computer equipment	18,626	14,069	4,557	18,626	7,979	10,647
Field equipment	53,282	50,713	2,569	53,282	51,347	1,935
	\$ 185,411	\$ 132,549	\$ 52,862	\$ 213,812	\$ 109,438	\$ 104,374

8. Share capital

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and fully paid

See consolidated statements of shareholders' equity.

(c) Private placements

2009

The Company did not complete any private placements.

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Years ended July 31, 2009 and 2008

8. Share capital (continued)

2008

- (1) In November 2007, in two tranches, the Company completed a non-brokered private placement of 5,667,000 units at a price of \$0.35 per unit, for gross proceeds of \$1,983,450. Each unit was comprised of one common share and one-half of one non-transferable share purchase warrant. Each whole non-transferable share purchase warrant entitled the holder to purchase one additional common share for a period of 24 months following the issue date of the non-transferable share purchase warrant at an exercise price of \$0.60 per share. The Company paid finders' fees of \$66,885 in cash, and issued 273,000 non-transferable finder's options, equal to 10% of the total number of units sold in the offering to subscribers arranged by eligible finders. Each finder's option is exercisable to acquire a unit of the Company at a price of \$0.35 per finder's unit for a period of 24 months from the date of issuance. Each finder's unit was comprised of one common share of the Company and one-half of one common share purchase warrant (finders' warrants) of the Company. Each whole finder's warrant entitles the finder, upon exercise, to purchase one additional common share of the Company for a period of 24 months from the issuance of the finder's option at a price of \$0.60 per finder's warrant share. The finders' options were valued by valuing the individual components of the units, being the finders' option to purchase a common share and the finders' warrants. The valuations used a B-S pricing model, using the following assumptions: weighted average risk free interest rate of 3.7%; volatility factors of 78% and 79% and an average expected life of two years, and no dividends. The value per combined finders' option and warrant ranges from \$0.28 to \$0.33, due to the number of finders' warrants issued related to each tranche of the financing. The value attributed to these non-transferable share purchase warrants was \$0.08 per whole non-transferable share purchase warrant. Issue costs were allocated to the common shares and the warrants in the amounts of \$129,012 and \$16,388, respectively. Subsequent to July 31, 2009, the warrants issued in the two tranches of this private placement expired, unexercised.
- (2) In July 2008, the Company completed in two tranches a private placement for a total of 7,248,000 units at price of \$0.10 per unit, for gross proceeds of \$724,800. Each unit was comprised of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company for a period of 24 months at an exercise price of \$0.20 per share. The financing was closed in two tranches on July 4th and July 24th 2008. The Company paid finders' fees of \$3,850 in cash and issued 44,000 non-transferable warrants (the "Finder's Warrants") valued at \$1,026 in the offering to arms-length subscribers arranged by eligible finders. Each Finder's Warrant entitles the finder, upon exercise, to purchase one additional common share of the Company (a "Finder's Warrant Share") for a period of 24 months from the issuance of the Finder's Warrant at a price of \$0.20 per Finder's Warrant Share. The finders' warrants and share purchase warrants were valued using a B-S pricing model, using the following assumptions: weighted average risk free interest rate of 2.8%; volatility factors of 74% to 76% and an average expected life of two years, and no dividends. The value per combined finders' warrant was \$0.11 and \$0.09, respectively, as the number of finders' warrants was not directly attributable to the number of common shares issued in each tranche of the financing. Issue costs were allocated to the common shares and the warrants in the amounts of \$9,914 and \$2,235, respectively.

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Years ended July 31, 2009 and 2008

8. Share capital (continued)

(d) Stock options (see Consolidated Statements of Shareholders' Equity)

In January 2008, the shareholders approved a 10% rolling stock option plan as prescribed by the policies of the TSX Venture Exchange. The Company has a stock option plan for its directors, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. Options generally vest immediately or over a two-year period, and have a maximum term of ten years. The plan currently allows for the issue of up to 10,977,454 (2008 – 8,962,484) stock options. Prior to the approval of the 10% rolling stock option plan, the Company had a fixed plan, which allowed for the issuance of up to 7,364,029 stock options.

The following table summarizes changes in the number of stock options outstanding:

	Options	Weighted Average Exercise Price
Balance, July 31, 2007	6,478,750	\$0.31
Granted	200,000	\$0.30
Exercised	(450,000)	\$0.25
Cancelled	(253,750)	\$0.30
Balance, July 31, 2008	5,975,000	\$0.31
Cancelled and forfeited	(850,000)	\$0.42
Expired, unexercised	(985,000)	\$0.26
Balance, July 31, 2009	4,140,000	\$0.30
Exercisable at July 31, 2009	4,140,000	\$0.30

The following table summarizes information about the stock options outstanding at July 31, 2009:

Number Outstanding at July 31, 2009	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
1,205,000	1.5 years	\$0.25
100,000	2.0 years	\$0.25
470,000	3.4 years	\$0.25
580,000	4.3 years	\$0.25
1,635,000	2.7 years	\$0.35
150,000	2.9 years	\$0.62
4,140,000	2.6 years	\$0.30

	Years ended July 31,	
	2009	2008
Risk free interest rate	--	3.8%
Expected life (years)	--	5.0
Expected volatility	--	83.2%
Expected dividends	--	Nil
Weighted average fair value per option grant	--	\$0.20

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Notes to Consolidated Financial Statements

Years ended July 31, 2009 and 2008

8. Share capital (continued)

The Black-Scholes (“B-S”) option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company’s stock options are not transferable and cannot be traded. The B-S model also requires an estimate of expected volatility so the Company uses historical volatility rates to arrive at an estimate. Changes in the subjective input assumptions can materially affect the fair value estimate of stock options granted. The value of stock options related to stock-based compensation charged to contributed surplus in the year ended July 31, 2009, was \$16,903 (2008 - \$331,224). This includes \$2,933 (2008 - \$110,142) included in exploration expenses.

(e) **Warrants** (See Consolidated Statements of Shareholders Equity)

As at July 31, 2009, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
2,377,500	\$0.60	November 30, 2009
204,800*	\$0.35	November 30, 2009
102,400	\$0.60	November 30, 2009
456,000	\$0.60	December 10, 2009
68,200*	\$0.35	December 10, 2009
34,100	\$0.60	December 10, 2009
4,330,000	\$0.20	July 4, 2010
2,962,000	\$0.20	July 24, 2010
10,535,000	\$0.32 (Average)	

The warrants noted with an asterisk (*) are finder’s unit warrants exercisable at \$0.35 to receive one common share and one warrant. Each warrant is then exercisable at a price of \$0.60 for two years. These finder’s unit warrants were valued using the B-S valuation model using a risk free interest rate of 3.66%, a two-year life, and an expected volatility of 78% and 79%, and no dividends.

The following table summarizes recent changes in the number of warrants outstanding:

	Warrants	Weighted Average Exercise Price
Balance, July 31, 2007	22,567,965	\$0.42
Issued	10,535,000	\$0.32
Exercised	(604,040)	\$0.38
Expired, unexercised	(3,321,603)	\$0.40
Balance, July 31, 2008	29,177,322	\$0.45
Expired, unexercised	(18,642,322)	\$0.42
Balance, July 31, 2009	10,535,000	\$0.32

During the year ended July 31, 2009, 5,449,403 warrants, including underlying warrants, exercisable at \$0.50, 493,469 underlying warrants exercisable at \$0.275, with expiry dates of August 28, 2008, and August 31, 2008, and 2,000,000 warrants, exercisable at \$0.50, with an expiry date of December 29, 2008, 6,253,950 warrants exercisable at \$0.50, with an expiry date of May 4, 2009, and 4,445,500 warrants exercisable at \$0.60, with an expiry date of May 25, 2009, expired, unexercised. Subsequent to July 31, 2009, 2,833,500 warrants priced at \$0.60, 273,000 warrants priced at \$0.35, and 136,500 warrants priced at \$0.60, expired, with expiry dates of November 30, 2009, and December 10, 2009, expired unexercised.

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Notes to Consolidated Financial Statements

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9. Related party transactions and balances

Services provided by:	Years ended July 31,	
	2009	2008
Glencoe Management Ltd. (c)	19,874	36,000
Quorum Management and Administrative Services Inc. (a)	434,132	861,508
Kent Avenue Consulting Ltd. (d)	30,000	42,750

Balances payable to:	2009		2008	
Quorum Management and Administrative Services Inc. (a)	(85,778)		(214,119)	
Officer and directors	(452,360)		(121,439)	
Glencoe Management Ltd. (c)	(36,618)		(15,750)	
Total balances payable	\$ (574,756)		\$ (351,308)	

- (a) Management, administrative, geological and other services have been provided by Quorum Management and Administrative Services Inc. ("Quorum"), formerly LMC Management Services Ltd. since August 1, 2001. Quorum is a private company held jointly by the Company and other public companies, providing services on a full cost recovery basis to the various public entities currently sharing office space with the Company. At July 31, 2009, the Company has a 25% interest in Quorum at a cost of \$1. There is no difference between the cost of \$1 and equity value. Three months of estimated working capital is required to be on deposit with Quorum under the terms of the services agreement, and at July 31, 2009, the Company did not have three months of fees advanced to Quorum, and was in arrears on its monthly payments. The contractual agreement provides for the issuance of shares in the capital of the Company to Quorum, cessation of services, or provision of security to the non-defaulting shareholders of Quorum. During the year ended July 31, 2009, the Company issued 10,773,900 common shares to Quorum at a deemed price of \$0.05 for settlement of \$538,695 in debt, of which \$377,086 was recorded as a gain, the difference between the settlement price and the market price on the date the common shares were issued.
- (b) Directors' fees are paid to non-executive directors on a quarterly basis and for meetings attended during the year. Directors' fees have been accrued but not paid since December, 2007, and since the third quarter of the year ended July 31, 2009, are no longer accrued, until such time as the Company is able to pay directors' fees.
- (c) Glencoe Management Ltd. is a private company controlled by Andrew F.B. Milligan, Chairman of the Company. Management fees of \$3,000 (2008 - \$3,000) per month were paid to Glencoe Management Ltd. for the services of the Chairman. Fees of \$36,618 have been accrued but not paid at July 31, 2009. Mr. Milligan did not stand for re-election in February 2009 and fees for his services as Chairman were terminated at that time.
- (d) Consulting fees of \$30,000 (2008 - \$42,750) are paid indirectly to Kent Avenue Consulting Ltd., a private company controlled by a director, Sargent H. Berner. These fees are paid through Quorum, and are also included in the balance for 'services provided by Quorum'. Any amount owing to Kent Avenue Consulting Ltd. is owed by Quorum, and so is included in the net payable to Quorum.
- (e) The Company's investments include shares of two companies with directors and/or management in common with the Company throughout the fiscal year.
- (f) Transactions with related parties are recorded at their exchange values which are the amounts entered into and agreed by both parties.

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Notes to Consolidated Financial Statements

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10. Income taxes

- (a) The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates due to the following:

	2009	2008 (restated)
Statutory tax rate	31.51%	33.34%
Loss for the year	\$ (922,948)	\$(14,395,837)
Provision for income taxes based on combined		
Canadian federal and provincial tax rates	(290,851)	(4,799,572)
Non-deductible and permanent differences	48,783	3,206,453
Non-taxable portion of capital (gain) loss	35,130	(22,118)
Impact of foreign taxes	(6,349)	(16,944)
Other	(20,037)	157,419
Effect of change in tax rate on future tax assets	361,805	1,413,547
Change in valuation allowance	(128,481)	61,215
	\$ --	\$ --

- (a) The significant components of the Company's future tax assets are as follows:

	2009	2008 (restated)
Temporary difference in value for mineral property interests (asset) - Canada	\$ 5,184,821	\$ 5,350,854
Temporary difference in value for mineral property interests (asset) - Venezuela	1,203,385	1,116,574
Capital losses carried forward	1,654,300	1,720,472
Share issuance costs	108,753	111,848
Operating loss carried forward	447,529	427,521
Future tax assets	8,598,788	8,727,269
Valuation allowance for future tax assets	(8,598,788)	(8,727,269)
	\$ --	\$ --

The realization of benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no net future income tax asset has been recognized for accounting purposes.

The Company has Canadian capital losses carried forward of \$13,101,720, and an income tax credit of \$450,000. The Company has non-capital losses carried forward of \$947,813 expiring in 2028, and \$842,301 expiring in 2029.

The Company has mineral property interests held in Venezuela through interests in several companies incorporated in Venezuela. These entities have capitalized exploration and development costs in years prior to the date of acquisition of the Venezuelan entities by the Company. The future tax assets table above does not reflect amounts related to certain costs incurred directly by the Venezuelan companies, due to uncertainties surrounding their deductibility for tax purposes.

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Notes to Consolidated Financial Statements

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11. Financial instruments and risk management

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at July 31, 2009, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	Fair Value	2009 Carrying Value	Fair Value	2008 Carrying value
Held-for-trading				
Cash and cash equivalents	\$ 10,892	\$ 10,892	\$ 236,485	\$ 236,485
	10,892	10,892	236,485	236,485
Available-for-sale				
Investments	88,690	88,690	213,110	213,110
	\$ 88,690	\$ 88,690	\$ 213,110	\$ 213,110

The fair values of the Company's held-for-trading financial liabilities, such as accounts payable and accrued liabilities may be below carrying values due to the liquidity issues of the Company, as indicated by the \$1,422,168 working capital deficiency at July 31, 2009. The fair values of the Company's held-for-trading financial assets, such as Goods and Services Tax and other receivables, approximate their carrying values at July 31, 2009.

The fair values of the Company's financial instruments measured at July 31, 2009, constitute Level 1 measurements for its investments within the fair value hierarchy and Level 2 measurements for its cash and cash equivalents defined under Canadian GAAP.

The Company recognized interest income during the year ended July 31, 2009, totalling \$625, which represents interest income from the Company's held-for-trading investments. This balance represents interest income from all sources.

In addition, the Company recorded realized losses of \$116,971 from the disposition of investments in marketable securities and the recognition of the impairment write-down on fair value of investments available-for-sale of \$105,985.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the balance sheet date under its financial instruments is summarized as follows:

	July 31, 2009
Accounts and other receivables -	
Currently due	\$ 18,207
Past due by 90 days or less, not impaired	--
Past due by greater than 90 days, not impaired	--
	18,207
Cash and cash equivalents	10,892
Investments	88,690
	\$ 117,789

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Years ended July 31, 2009 and 2008

11. Financial instruments and risk management (continued)

Substantially all of the Company's cash and cash equivalents are held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily its investment in marketable securities of publicly-traded companies and any receivables. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash and term deposits are held. In the year ended July 31, 2009, no material provision has been recorded in respect of impaired receivables. The Company's maximum exposure to credit risk as at July 31, 2009, is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 12, in normal circumstances. Due to the lack of liquidity and working capital deficiency, management has increased its focus on liquidity risk given the impact of the current economic climate on the availability of finance. During the year ended July 31, 2009, the Company was able to complete a debt settlement of 19,899,700 common shares at a fair value of \$298,496 at the time of issuance, to remove \$994,994 in current liabilities from the balance sheet. Further information regarding liquidity risk is set out in Note 1. The Company recorded a gain on the debt settlement of \$696,498. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and amounts due to related parties, the contractual maturities of which at July 31, 2009, are summarized as follows:

	2009
Accounts payable and accrued liabilities with contractual maturities –	
Within 90 days or less	\$ 965,201
In later than 90 days, not later than one year	--
Due to related parties with contractual maturities	
Within 90 days or less	574,756
In later than 90 days, not later than one year	--

Market risks

The significant market risks to which the Company is exposed include commodity price risk, interest rate risk and foreign exchange risk.

- Commodity price risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of gold and the outlook for these metals, as the Company's ability to raise capital is affected by the commodity prices that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for gold historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

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11. Financial instruments and risk management (continued)

- Interest rate risk

The Company has no significant exposure at July 31, 2009, to interest rate risk through its financial instruments.

- Currency risk

The Company's currency risk arises primarily with fluctuations in United States dollar and the Venezuelan bolivar. The Company has no revenue and any exposure to currency risk is related to expenditures by the Company in United States dollars or the Venezuelan bolivar, as the majority of operating expenses are payable in Canadian dollars. The currency risk by the Company relates to unpaid liabilities of the Company payable in United States dollars or Venezuelan bolivars.

The Company has not hedged its exposure to currency fluctuations. At July 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in United States dollars and Venezuelan bolivars, but presented in Canadian dollar equivalents. The Company uses the parallel market rates when converting its transactions and assets and liabilities in Venezuelan bolivars.

	July 31, 2009
United States dollars	
Cash and cash equivalents	68
Accounts payable and accrued liabilities	(302,785)
Venezuelan bolivars	
Cash and cash equivalents	--
Accounts payable and accrued liabilities	(458,180)

Based on the above net exposures at July 31, 2009, and assuming that all other variables remain constant a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase/decrease of \$30,272 in the Company's loss from operations, and a 10% appreciation or depreciation of the Canadian dollar against the Venezuelan bolivar would result in an increase/decrease of \$45,818 in the Company's loss from operations. The Company's exposure will primarily be due to changes in the Venezuelan bolivar, as a significant portion of its accrued liabilities are in Venezuelan bolivars.

12. Management of capital

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests in Ontario and Venezuela and to maintain a flexible capital structure which will optimize the costs of capital at an acceptable risk.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

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12. Management of capital (continued)

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk. The Company currently does not have sufficient funds for operations and must rely on equity financings, or forms of joint venture or other types of financing to continue exploration and development work and to meet its administrative overhead costs for the coming year (See Note 1).

There are no externally imposed capital requirements to which the Company is subject.

13. Supplementary cash flow information

The Company conducted non-cash financing and investing activities as follows:

	2009	2008
Shares issued for mineral property interests	\$ 25,000	\$ 5,411,227
Shares and warrants received under option agreement on mineral property interest	\$ --	\$ (41,000)
Shares issued for settlement of debt	\$ 298,496	\$ --
Finders' fees	\$ --	\$ 315,976

14. Segmented information

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's principal operations are carried out in Canada and in Venezuela. All of the investment income is earned in Canada.

The Company's geographic segments by mineral property interests, equipment and other assets are as follows:

July 31, 2009	Canada	South America	Total
Mineral property interests	\$ 435,324	\$ 1,322,558	\$ 1,757,882
Equipment	\$ 52,862	\$ --	\$ 52,862
Other	\$ 117,790	\$ --	\$ 117,790
Total assets	\$ 605,976	\$ 1,322,558	\$ 1,928,534

July 31, 2008 (restated)	Canada	South America	Total
Mineral property interests	\$ 383,092	\$ 1,322,558	\$ 1,705,650
Equipment	\$ 73,866	\$ 30,508	\$ 104,374
Other	\$ 551,191	\$ 23,939	\$ 575,130
Total assets	\$ 1,008,149	\$ 1,377,005	\$ 2,385,154

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Note 15: Exploration Expenses

Year ended July 31, 2009

	Tower Mountain and Other, Ontario	Venezuelan Properties, Venezuela	Manitoba Properties	Garrison Property, Ontario	Guyana Properties, Guyana	Total Exploration Expenses July 31, 2009
Cumulative exploration expenses						
July 31, 2008, as previously reported	\$ 2,665,420	\$ 3,125,054	\$ 2	\$ 3,685,206	\$ --	\$ 9,475,682
Adjustments	(2,665,420)	(3,125,054)	(2)	(3,685,206)	--	(9,475,682)
Restated, July 31, 2008	--	--	--	--	--	--
Incurred during the year						
Assays and analysis	--		--	52	8,323	8,375
Geological and geophysical	1,165	29,256	134	(996)	(152)	29,407
Land lease and property taxes	--	184,634	--	--	--	184,634
Site activities	2,663	176,871	40	11,494	17,857	208,925
Stock-based compensation (Note 8 (d))	--	2,382	--	612	(59)	2,935
Travel and accommodation	--	3,017	--	--	--	3,017
Total expenses, July 31, 2009	\$ 3,828	\$ 396,160	\$ 174	\$ 11,162	\$ 25,969	\$ 437,293

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Note 15: Exploration Expenses

Year ended July 31, 2008

	Tower Mountain and Other, Ontario	Hunter Mine, Ontario	Venezuelan Properties, Venezuela	Manitoba Properties	Garrison Property, Ontario	Guyana Properties, Guyana	Total Exploration Expenses July 31, 2008
Cumulative exploration expenses							
July 31, 2007, as previously reported	\$ 2,508,251	\$ 460,739	\$ 4,812,034	\$ (4,610)	\$ 3,472,695	\$ 1,091,397	\$ 12,340,506
Adjustments	(2,508,251)	(460,739)	(4,812,034)	4,610	(3,472,695)	(1,091,397)	(12,340,506)
Restated, July 31, 2007	--	--	--	--	--	--	--
Incurred during the year							
Assays and analysis	20,739	--	90,876	--	23,111	168,693	303,419
Drilling	83,575	--	714,444	--	--	134,658	932,677
Geological and geophysical	37,936	--	206,767	(867)	136,883	617,855	998,574
Land lease and property taxes	--	--	216,676	--	--	22,118	238,794
Site activities	11,709	--	1,172,387	14,910	25,343	424,554	1,648,903
Stock-based compensation	--	--	35,621	--	9,556	64,966	110,143
Travel and accommodation	3,210	--	116,629	--	14,270	187,853	321,962
Total expenses, July 31, 2008	\$ 157,169	\$ --	\$ 2,553,400	\$ 14,043	\$ 209,163	\$ 1,620,697	\$ 4,554,472