

VALGOLD RESOURCES LTD.  
(an exploration stage company)  
CONSOLIDATED FINANCIAL STATEMENTS  
JULY 31, 2010 and 2009

## AUDITORS' REPORT

To the Shareholders of ValGold Resources Ltd.

We have audited the consolidated balance sheets of ValGold Resources Ltd. as at July 31, 2010 and 2009 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, 2010 and 2009 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.

***(signed) PricewaterhouseCoopers LLP***

**Chartered Accountants**  
Vancouver, British Columbia  
November 29, 2010

# VALGOLD RESOURCES LTD.

(an exploration stage company)  
Consolidated Balance Sheets  
As at July 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 116,725	\$ 10,892
Accounts receivable and prepaids	79,011	18,208
Investments (Note 5)	415,626	88,690
	611,362	117,790
<b>Buildings and equipment</b> (Note 6)	38,631	52,862
<b>Mineral property interests</b> (Notes 4 and 15)	343,153	1,757,882
	\$ 993,146	\$ 1,928,534
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 751,887	\$ 965,201
Due to related parties (Note 8)	565,647	574,756
	1,317,534	1,539,957
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 7)	52,491,190	51,610,414
Warrants	98,250	386,642
Contributed surplus (Note 7 (d))	4,006,333	3,295,707
Accumulated other comprehensive income	226,625	--
Deficit	(57,146,786)	(54,904,186)
	(324,388)	388,577
	\$ 993,146	\$ 1,928,534

Going concern (Note 1)  
Contingency (Note 9 (a))  
Subsequent events (Notes 4, 5 and 14)

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.

(an exploration stage company)  
 Consolidated Statements of Operations and Deficit  
 Years ended July 31, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Expenses</b>		
Amortization	\$ 8,097	\$ 12,520
Exploration expenses (Note 15)	209,674	437,293
Foreign exchange loss (gain)	(11,743)	46,572
Interest expense	10,844	40,342
Legal, accounting and audit	66,980	83,655
Management fees (Note 8 (c, d))	55,500	49,874
Office and administration (Note 8 (a))	60,450	220,722
Salaries and benefits	291,550	409,981
Shareholder communications	65,526	63,176
Stock-based compensation (Note 7 (d))	307,903	13,970
Travel and conferences	3,989	19,010
	1,068,770	1,397,115
Recovery in excess of mineral property acquisition costs	(57,012)	--
Recovery of bad debt	(64,005)	--
Gain on debt settlement	--	(696,498)
Loss on sale of investments	23,335	116,971
Impairment write-down on investments	--	105,985
Write-down of mineral property interests (Note 4)	1,322,557	--
Interest and other income	(15,170)	(625)
<b>Loss before future income taxes</b>	(2,278,475)	(922,948)
Future income tax recovery	35,875	--
<b>Loss for the year</b>	(2,242,600)	(922,948)
<b>Deficit, beginning of year</b>	(54,904,186)	(53,981,238)
<b>Deficit, end of year</b>	\$ (57,146,786)	\$ (54,904,186)
<b>Loss per share – basic and diluted</b>	\$ (0.09)	\$ (0.05)
<b>Weighted average number of common shares outstanding – basic and diluted</b>	24,217,907	18,745,449

## Consolidated Statements of Comprehensive Loss

	<b>2010</b>	<b>2009</b>
<b>Loss for the year before comprehensive income</b>	\$ (2,242,600)	\$ (922,948)
Unrealized gain on available-for-sale investments, less future income taxes of \$35,875	226,625	--
Realized loss on disposition of investments	(23,335)	30,901
Impairment of investments	--	105,985
<b>Comprehensive loss</b>	\$ (2,039,310)	\$ (786,062)

See accompanying notes to consolidated financial statements.

## VALGOLD RESOURCES LTD.

(an exploration stage company)

Consolidated Statements of Shareholders' Equity (Deficiency)

Years ended July 31, 2010 and 2009

	Common Shares Without Par Value		Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity (Deficiency)
	Shares	Amount					
Balance, July 31, 2008 (restated)	17,924,967	\$ 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	50,000	25,000	--	--	--	--	25,000
Shares issued for debt	3,979,940	298,496	--	--	--	--	298,496
Stock-based compensation	--	--	--	16,903	--	--	16,903
Change in investments for the year	--	--	--	--	--	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	21,954,907	51,610,414	386,642	3,295,707	(54,904,186)	--	388,577
Shares issued for other							
Finder's shares	268,500	48,330	--	--	--	--	48,330
Stock-based compensation	--	--	--	323,984	--	--	323,984
Change in investments for the year	--	--	--	--	--	262,500	262,500
Future income tax related to investments	--	--	--	--	--	(35,875)	(35,875)
Warrants expired, unexercised	--	--	(386,642)	386,642	--	--	--
Private placement, less share issue costs	6,000,000	832,446	98,250	--	--	--	930,696
Loss for the year	--	--	--	--	(2,242,600)	--	(2,242,600)
Balance, July 31, 2010	28,223,407	\$ 52,491,190	\$ 98,250	\$ 4,006,333	\$ (57,146,786)	\$ 226,625	\$ (324,388)

See accompanying notes to consolidated financial statements.

# VALGOLD RESOURCES LTD.

(an exploration stage company)

Consolidated Statements of Cash Flows

Years ended July 31, 2010 and 2009

	2010	2009
<b>Cash flows provided by (used in) operating activities</b>		
Loss for the year	\$ (2,242,600)	\$ (922,948)
Items not involving cash		
Amortization and amortization in site activities	14,231	51,512
Stock-based compensation	323,984	16,903
Loss (gain) on available-for-sale investments	23,335	116,971
Recovery of bad debt	(64,005)	--
Impairment write-down on investments	--	105,985
Write-down of mineral property interests	1,322,557	--
Recovery in excess of mineral property acquisition costs	(57,012)	--
Future income tax recovery	(35,875)	--
Gain on debt settlement	--	(696,498)
Changes in non-cash operating working capital		
Accounts receivable and prepaids	(24,613)	107,327
Accounts payable and accrued liabilities	(238,314)	760,590
Due to/from related parties	(9,109)	--
	(987,421)	(460,158)
<b>Cash flows provided by (used in) investing activities</b>		
Mineral property acquisition costs	(3,942)	(27,232)
Proceeds on sale of marketable securities	65,355	38,349
Proceeds from mineral property option	25,000	--
Recovery of bad debt expense	78,815	--
	165,228	11,117
<b>Cash flows from financing activities</b>		
Common shares and warrants, less share issue costs	928,026	--
Related party advances	--	223,448
	928,026	223,448
<b>Increase in cash during the year</b>	105,833	(225,593)
<b>Cash, beginning of year</b>	10,892	236,485
<b>Cash, end of year</b>	\$ 116,725	\$ 10,892

Supplementary cash flow information (Note 12)

See accompanying notes to consolidated financial statements.

# VALGOLD RESOURCES LTD.

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 1. Nature of operations and going concern

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, 2010, the Company has no source of operating cash flow and an accumulated deficit of \$57,146,786 (2009 - \$54,904,186). At July 31, 2010, the Company has a working capital deficiency of \$706,172. Operations for the year ended July 31, 2010, were funded primarily from a private placement completed on April 13, 2010, the sale of shares of marketable securities and the use of cash on hand and advances from related parties.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current financial equity market conditions and the challenging funding environment make it difficult to raise funds by private placements of shares. It is dependent upon the continuing financial support of related parties 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 (See Notes 5 and 14), 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, or on terms acceptable to the Company.

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.

# VALGOLD RESOURCES LTD.

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Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 2. 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, and valuation of stock-based compensation. Actual results could differ from those estimated.

### (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. The Company has no cash equivalents at July 31, 2010.

### (d) Mineral property interests

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.

The Company expenses exploration costs, administrative costs and property investigation costs as incurred.

# VALGOLD RESOURCES LTD.

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 2. Significant accounting policies (continued)

### (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. Unrealized gains and losses are recognized directly in other comprehensive income, except for other than temporary impairment losses, and realized gains and 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, a temporary loss shall be considered to have occurred and no impairment is recognized. 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).

### (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.

# VALGOLD RESOURCES LTD.

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 2. Significant accounting policies (continued)

### (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.

### (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 7. 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.

# VALGOLD RESOURCES LTD.

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 2. Significant accounting policies (continued)

### (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.

### (n) 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.

Accounts payable and accrued liabilities and due to related party balances are initially recorded at fair value and subsequently measured at amortized cost.

Handbook Section 3862 includes 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.

The required disclosures are included in Note 10.

### (o) 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.

# VALGOLD RESOURCES LTD.

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 3. Accounting standards issued but not yet effective

### (a) Consolidated financial statements and non-controlling interests

In December 2008 the CICA issued Handbook Section 1582, "Business Combinations," replacing Section 1581, "Business Combinations." This standard was amended to more closely align it with International Financial Reporting Standards ("IFRS") in anticipation of the move from Canadian GAAP to IFRS. The revised standard requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure while accounting for a business combination. Companies adopting Section 1582 will also be required to adopt the new Sections 1601, "Consolidated Financial Statements," and 1602, "Non-Controlling Interests" which together replace Section 1600. The changes resulting from adopting Section 1582 are to be applied prospectively. These standards will be effective January 1, 2011 however early adoption is permitted. The Company has chosen to adopt this accounting standard effective August 1, 2009. Adoption of this new standard has had no material impact on the Company's financial statements.

#### Section 1601 – Consolidated Financial Statements, and

#### Section 1602 – Non-controlling Interests

In December 2008, the CICA issued Handbook Sections 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests," together replacing Section 1600 "Consolidated Financial Statements." These new standards will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders' equity on the balance sheet. In addition, the income statement of the controlling parent will include 100% of the subsidiary's results and will present the allocation between controlling and non-controlling interest. The changes for adopting Sections 1601 and 1602 are to be applied retrospectively. These standards will be effective January 1, 2011 however early adoption is permitted. The Company has chosen to adopt this accounting standard effective August 1, 2009. Adoption of this new standard has had no material impact on the Company's financial statements.

## 4. 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.

<b>Year ended July 31, 2010</b>	<b>Opening Balance</b>	<b>Incurred</b>	<b>(Recoveries)</b>	<b>Closing Balance</b>
Tower Mountain Property, Ontario (b)	\$ 314,211	\$ 28,941	\$ --	\$ 343,152
Venezuela Properties, Venezuela (c)	1,322,558	(1,322,557)	--	1
Garrison Property, Ontario (a)	121,113	--	(121,113)	--
<b>Total Acquisition Costs</b>	<b>\$ 1,757,882</b>	<b>\$ (1,293,616)</b>	<b>\$ (121,113)</b>	<b>\$ 343,153</b>

  

<b>Year ended July 31, 2009</b>				
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
<b>Total Acquisition Costs</b>	<b>\$ 1,705,650</b>	<b>\$ 52,232</b>	<b>\$ --</b>	<b>\$ 1,757,882</b>

# VALGOLD RESOURCES LTD.

(an exploration stage company)

Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 4. Mineral property interests (continued)

### (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.

During the year ended July 31, 2010, the Company finalized an agreement with 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 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. Subsequent to July 31, 2010, the Company received the second option payment of \$200,000 in cash.

### (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 payments due in July 2009 and 2010 have not been paid, but will be paid when the Company has sufficient working capital.

### (c) Venezuela Properties, Venezuela

On October 9, 2007, the Company completed the acquisition of 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"). 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. 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 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 related to these properties. 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. Due to uncertainties about the Company's ability to actively explore and finance its Venezuelan exploration property interests at the current time. As a result the Company has written down the mineral property interests by \$1,322,557 to a nominal carrying value of \$1.

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Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 4. Mineral property interests (continued)

### (d) 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 payment of cash or payment in common shares for a total of \$25,000 that is required to be issued in the year ended July 31, 2011, in addition to the payments due in July 2009 and 2010 totalling \$50,000 which have not been paid on the Tower Mountain property.

## 5. Investments

	Number of Shares	Cost July 31, 2010	Fair Value July 31, 2010
Northern Gold Mining Inc.	2,187,500	\$ 153,126	\$ 415,625
<b>Total</b>	<b>2,187,500</b>	<b>\$ 153,126</b>	<b>\$ 415,625</b>

  

	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 8 (e))	400,000	40,000	32,000
Sultan Minerals Inc. (Note 8 (e))	665,000	99,750	46,550
<b>Total</b>		<b>\$ 194,675</b>	<b>\$ 88,690</b>

During the year ending July 31, 2010, 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.

Subsequent to July 31, 2010, the Company sold 650,000 shares of Northern Gold for net proceeds of \$188,731.

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## 6. Buildings and equipment

	Cost	Accumulated Amortization	2010 Net Book Value	Cost	Accumulated Amortization	2009 Net Book Value
Vehicles	\$ 21,449	\$ 21,449	\$ --	\$ 21,449	\$ 21,449	\$ --
Office equipment	30,715	29,049	1,666	30,715	27,614	3,101
Buildings	61,339	24,838	36,501	61,339	18,704	42,635
Computer equipment	18,626	18,162	464	18,626	14,069	4,557
Field equipment	53,282	53,282	--	53,282	50,713	2,569
	\$ 185,411	\$ 146,780	\$ 38,631	\$ 185,411	\$ 132,549	\$ 52,862

## 7. Share capital

### (a) Authorized

Unlimited number of common shares without par value

At the Annual and Special General Meeting of its shareholders held on February 3, 2010, the shareholders approved a special resolution to alter the Company's authorized share structure by consolidating all of the issued and outstanding common shares without par value, of which 21,954,907 post-consolidation common shares were issued, based on 109,774,536 pre-consolidation common shares issued on March 1, 2010, and a consolidation on the basis of five (5) pre-consolidation common shares to one (1) post-consolidation common share, after adjusting for rounding, or 21,954,907 common shares. All periods presented have been retroactively adjusted to reflect this reverse split.

### (b) Issued and fully paid

See consolidated statements of shareholders' equity.

### (c) Private placements

#### 2010

During the year ended July 31, 2010, the Company completed a private placement in two tranches of 6,000,000 Subscription Receipts at a price of \$0.17, for gross proceeds of \$1,020,000, which immediately converted to 6,000,000 units comprised of one common share and one share purchase warrant, immediately upon closing, March 3, 2010, and April 13, 2010, due to the share consolidation of the Company, which was effective March 1, 2010.

Each unit consists of one consolidated common share and one non-transferable purchase warrant exercisable to purchase one additional common share at a price of \$0.25 for a period of five (5) years after the closing date. If, at any time after the date that is four months and one day following the closing dates of the private placement, the closing price of the common shares of the Company on the TSX Venture Exchange, or such other stock exchange or quotation system on which the Company's common shares are then traded, is not less than \$0.50 per share for a period of 10 consecutive trading days (whether or not a trade occurs on any of such days), then the Company may elect to accelerate the expiry time of any unexercised share purchase warrants by sending notice to the holder.

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## 7. Share capital (continued)

Finders' fees of \$52,580 consisting of \$4,250 in cash, 25,000 finders' warrants and the balance of \$48,330 paid in 268,500 units and 268,500 finders' warrants in connection with a part of the offering in accordance with Exchange policies. Finders' warrants are exercisable to purchase one share at a price of \$0.25 for a period of 18 months. The value allocated to each of the warrants using a modified B-S calculation with a volatility factors of 88% to 110% and a risk-free rates of 1% to 2.5% ranges from \$0.01 to \$0.02 per warrant and \$0.06 to \$0.09 for the finders' warrants.

### 2009

The Company did not complete any private placements.

#### (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 issuance of up to 2,822,341 (2009 – 2,195,491) stock options. The following table summarizes changes in the number of stock options outstanding:

	<b>Options</b>	<b>Weighted Average Exercise Price</b>
Balance, July 31, 2008	1,195,000	\$1.56
Cancelled and forfeited	(170,000)	\$2.09
Expired, unexercised	(197,000)	\$1.30
Balance, July 31, 2009	828,000	\$1.51*
Granted	2,040,000	\$0.20
Cancelled and forfeited	(135,000)	\$1.42*
Balance, July 31, 2010	2,733,000	\$0.20
Exercisable at July 31, 2010	2,733,000	\$0.20

\*Average before re-pricing of issued and outstanding stock options to \$0.19 on May 11, 2010, with no changes to original expiry dates. The re-pricing of stock options was completed after cancellations and forfeitures.

On May 11, 2010, the Company re-priced 693,000 post-consolidation stock options to a price of \$0.19, as approved by the shareholders at the Company's annual meeting held in February 2010. The attributed value for the re-pricing using the B-S valuation model was \$32,658. The attributed value for stock options granted during the year ended July 31, 2010, using the B-S valuation model was \$291,326.

The following table summarizes information about the stock options granted and re-priced during the years ended July 31, 2010 and 2009, and outstanding as at July 31, 2010:

	<b>Years ended July 31,</b>	
	<b>2010</b>	<b>2009</b>
Risk free interest rate	1.01%-2.72%	--
Expected life (years)	0.6 years-3.8 years	--
Expected volatility	96.4%-175.2%	--
Expected dividends	--	--
Weighted average fair value per option granted	\$0.14	--

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Years ended July 31, 2010 and 2009

## 7. Share capital (continued)

Number Outstanding at July 31, 2010	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
204,000	0.5 years	\$0.19
20,000	1.0 years	\$0.19
280,000	1.7 years	\$0.19
30,000	1.9 years	\$0.19
70,000	2.4 years	\$0.19
89,000	3.3 years	\$0.19
2,040,000	4.8 years	\$0.20
2,733,000	4.0 years	\$0.20

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, 2010, was \$323,984 (2009 - \$16,903). This includes \$16,081 (2009 - \$2,935) included in exploration expenses.

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

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

	Warrants	Weighted Average Exercise Price
Balance, July 31, 2009	2,107,000	\$1.58
Issued	6,562,000	\$0.25
Expired, unexercised	(2,107,000)	(1.58)
Balance, July 31, 2010	6,562,000	\$0.25

As at July 31, 2010, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
4,463,500	\$0.25	March 3, 2015
1,805,000	\$0.25	April 13, 2015
293,500	\$0.25	September 3, 2011
6,562,000	\$0.25	

During the year ended July 31, 2010, 566,700 warrants priced at \$3.00; 54,600 warrants priced at \$1.40, and 27,300 warrants priced at \$3.00, with expiry dates of November 30, 2009, and December 10, 2009, 1,458,400 warrants priced at \$1.00, with expiry dates of July 4, 2010 and July 24, 2010, expired, unexercised.

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## 8. Related party transactions and balances

Services provided by:	Years ended July 31,	
	2010	2009
Glencoe Management Ltd. (c)	--	19,874
Quorum Management and Administrative Services Inc. (a)	439,751	434,132
Kent Avenue Consulting Ltd. (d)	30,000	30,000

  

Balances payable to:	July 31, 2010	July 31, 2009
Quorum Management and Administrative Services Inc. (a)	(56,415)	(85,778)
Officer and directors	(472,614)	(452,360)
Glencoe Management Ltd. (c)	(36,618)	(36,618)
Total balances payable	\$ (565,647)	\$ (574,756)

- (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, 2010, the Company has a 1/3 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, 2010, the Company did not have three months of fees advanced to Quorum.
- (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 \$Nil (2009 - \$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, 2010. 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 (2009 - \$30,000) 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) 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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Years ended July 31, 2010 and 2009

## 9. 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:

	2010	2009
Statutory tax rate	29.63%	31.51%
Loss for the year	\$ (2,242,600)	\$ (922,948)
Provision for income taxes based on combined		
Canadian federal and provincial tax rates	(664,482)	(290,851)
Non-deductible and permanent differences	108,549	48,783
Non-taxable portion of capital (gain) loss	3,457	35,130
Impact of foreign taxes	(4,968)	(6,349)
Other	(13,948)	(20,037)
Effect of change in tax rate on future tax assets	18,265	361,805
Change in valuation allowance	517,252	(128,481)
	\$ (35,875)	\$ --

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

	2010	2009
Temporary difference in value for mineral property interests - Canada	\$ 5,083,809	\$ 5,184,821
Temporary difference in value for mineral property interests - Venezuela	1,742,461	1,203,385
Capital losses carried forward	1,662,228	1,654,300
Share issuance costs	47,061	108,753
Operating loss carried forward	580,481	447,529
Future tax assets	9,116,040	8,598,788
Valuation allowance for future tax assets	(9,116,040)	(8,598,788)
	\$ --	\$ --

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 \$13,300,000, and an income tax credit of \$338,000. The Company has non-capital losses carried forward of \$1,078,000 expiring in 2028, and \$850,000 expiring in 2029, and 394,000 expiring in 2030.

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

Years ended July 31, 2010 and 2009

## 10. 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, 2010, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	Fair Value	2010 Carrying Value	Fair Value	2009 Carrying value
<b>Held-for-trading</b>				
Cash and cash equivalents	\$ 116,725	\$ 116,725	\$ 10,892	\$ 10,892
	116,725	116,725	10,892	10,892
<b>Available-for-sale</b>				
Investments	415,626	415,626	88,690	88,690
	\$ 415,626	\$ 415,626	\$ 88,690	\$ 88,690

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments.

### a) Categorization and Valuation

Within the fair value hierarchy, the fair-values of the Company's financial instruments are calculated using Level 2 inputs for cash and cash equivalents and short-term deposits. There are no fair value inputs used that would be considered Level 3 inputs.

The Company has categorized its financial instruments as follows:

- i) Cash is categorized as held for trading, and is recorded at their fair value with changes in fair value recorded in the consolidated statement of operations;
- ii) Accounts receivable and prepaids are categorized as loans and receivables, and are recorded at amortized cost using the effective interest rate method. Due to the short term nature of receivables, the Company estimates that their fair value approximates their face value.
- iii) Investments are categorized as available-for-sale and are recorded at their fair value based on the closing bid price on the last day of trading prior to the balance sheet date; and
- iv) Accounts payable and accrued liabilities and due to related parties are categorized as other financial liabilities and are recorded at their amortized cost using the effective interest rate method. Due to the short-term nature of accounts payable and accrued liabilities, the Company estimates that their fair value approximates their face value.

In addition, the Company recorded realized losses of \$23,335 from the disposition of investments in marketable securities. The Company did not recognize any impairment write-down on fair value of investments available-for-sale in the year ended July 31, 2010 (2009 - \$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:

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Years ended July 31, 2010 and 2009

## 10. Financial instruments and risk management (continued)

	July 31, 2010	July 31, 2009
Accounts and other receivables -		
Currently due	\$ 79,011	\$ 18,208
Past due by 90 days or less, not impaired	--	--
Past due by greater than 90 days, not impaired	--	--
	79,011	18,208
Cash and cash equivalents	116,725	10,892
	\$ 195,736	\$ 29,100

Substantially all of the Company's cash is 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. The Company's maximum exposure to credit risk as at July 31, 2010, is the carrying value of its financial assets.

### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. At July 31, 2010, the Company's only financial liabilities are trade-payables and amounts due to related parties. These amounts are primarily due within 30 days of invoicing. The Company manages the liquidity risk inherent in these financial liabilities by ensuring that the Company has funds available to pay suppliers prior to engaging them to provide goods or services. 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, 2010, are summarized as follows:

	2010	2009
Accounts payable and accrued liabilities with contractual maturities -		
Within 90 days or less	\$ 751,887	\$ 965,201
In later than 90 days, not later than one year	--	--
Due to related parties with contractual maturities		
Within 90 days or less	565,647	574,756
In later than 90 days, not later than one year	--	--

Additional information regarding liquidity risk is disclosed in Note 1.

### Market risks

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

- Interest rate risk

The Company has no significant exposure at July 31, 2010, to interest rate risk through its financial instruments.

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Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 10. Financial instruments and risk management (continued)

- 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, 2010, 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, 2010	July 31, 2009
<b>United States dollars</b>		
Cash and cash equivalents	53,999	68
Accounts payable and accrued liabilities	(337,508)	(302,785)
<b>Venezuelan bolivars</b>		
Cash and cash equivalents	1,053	--
Accounts payable and accrued liabilities	(284,887)	(458,180)

Based on the above net exposures at July 31, 2010, 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 \$28,351 (2009 - \$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 \$28,383 (2009 - \$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.

## 11. 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.

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.

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Notes to Consolidated Financial Statements

Years ended July 31, 2010 and 2009

## 12. Supplementary cash flow information

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

	2010	2009
Shares issued for mineral property interests	\$ --	\$ 25,000
Shares received under option agreement on mineral property interest	\$ (153,125)	\$ --
Shares issued for settlement of debt	\$ --	\$ 298,496
Finders' fees	\$ 48,330	\$ --

## 13. 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, 2010	Canada	Venezuela	Total
Mineral property interests	\$ 343,152	\$ 1	\$343,153
Equipment	\$ 38,631	\$ --	\$ 38,631
Other	\$ 611,362	\$ --	\$ 611,362
Total assets	\$ 993,145	\$1	\$ 993,146

July 31, 2009	Canada	Venezuela	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

## 14. Subsequent event

Subsequent to July 31, 2010, the Company announced a non-brokered private placement of 2,000,000 flow-through units at a price of \$0.30 per unit for gross proceeds of up to \$600,000. Each unit consists of one flow-through common share and one non-transferable non-flow-through share purchase warrant. Each warrant is exercisable for one additional non-flow-through common share for a period of two years from the date of issue at a price of \$0.50 per share.

A first tranche of 1,110,000 units totalling \$333,000 closed on November 23, 2010. Finders' fees of \$15,000 were paid in association with this portion of the offering, equal to 5.0% of the gross proceeds received from certain accredited investors found by the finder under the offering. In addition, the Company issued 50,000 finder's warrants which will entitle the finder to acquire that number of common shares of the Company, which is equal to 5.0% of the number of units sold to the accredited investors found by the finder pursuant to the offering. The finder's warrants are exercisable to purchase one common share of the Company at a price of \$0.30 at any time, and from time to time, on or before the date which is 24 months after the closing date, or November 23, 2012. All common shares and warrants are subject to a hold period and may not be traded for four months plus one day from the date of closing of the private placement, or March 24, 2011.

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Note 15: Exploration Expenses

Year ended July 31, 2010

	<b>Tower Mountain and Other, Ontario</b>	<b>Venezuelan Properties, Venezuela</b>	<b>Manitoba Properties</b>	<b>Garrison Property, Ontario</b>	<b>Exploration Expenses July 31, 2010</b>
<b>Exploration expenses</b>					
Incurred and expensed to July 31, 2009	\$ 2,669,248	\$ 3,521,214	\$ 176	\$ 3,696,368	\$ 9,887,006
Incurred during the year					
Geological and geophysical	19,500	3,170	52	--	22,722
Land lease and property taxes	--	117,428	--	--	117,428
Site activities	2,500	40,392	11	7,090	49,993
Stock-based compensation (Note 7 (d))	--	16,081	--	--	16,081
Travel and accommodation	252	3,198	--	--	3,450
<b>Exploration expense, year ended July 31, 2010</b>	<b>\$ 22,252</b>	<b>\$ 180,269</b>	<b>\$ 63</b>	<b>\$ 7,090</b>	<b>\$ 209,674</b>
<b>Cumulative exploration costs for mineral property interests held at July 31, 2010</b>	<b>\$ 2,691,500</b>	<b>\$ 3,701,483</b>	<b>\$ 239</b>	<b>\$ 3,703,458</b>	<b>\$ 10,096,680</b>

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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	Exploration Expenses July 31, 2009
<b>Exploration expenses</b>						
Incurred and expensed to July 31, 2008	\$ 2,665,420	\$ 3,125,054	\$ 2	\$ 3,685,206	\$ --	\$ 9,475,682
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 7 (d))	--	2,382	--	612	(59)	2,935
Travel and accommodation	--	3,017	--	--	--	3,017
<b>Exploration expense, year ended July 31, 2009</b>	<b>\$ 3,828</b>	<b>\$ 396,160</b>	<b>\$ 174</b>	<b>\$ 11,162</b>	<b>\$ 25,969</b>	<b>\$ 437,293</b>
<b>Cumulative exploration costs for mineral property interests held at July 31, 2009</b>	<b>\$ 2,669,248</b>	<b>\$ 3,521,214</b>	<b>\$ 176</b>	<b>\$ 3,696,368</b>	<b>\$ --</b>	<b>\$ 9,887,006</b>