Valgold Resources Ltd.
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements
(expressed in Canadian Dollars)
(Unaudited)
October 31, 2011 and 2010

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated interim financial statements of Valgold Resources Ltd. have been prepared by and are the responsibility of Valgold Resources Ltd.'s management.

Valgold Resources Ltd.'s independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Condensed Consolidated Interim Statements of Financial Position
(expressed in Canadian Dollars)
(Unaudited)

	October 31, 2011	July 31, 2011	August 1, 2011
Assets			
Current assets			
Cash and cash equivalents	**$ 134,365**	$ 424,744	$ 116,725
Accounts receivable and prepaids *(note 5(a))*	**88,795**	432,650	79,011
Investments *(note 6)*	**4,180,090**	5,229,615	415,626
	4,403,250	6,087,009	611,362
Buildings and equipment *(note 4)*	**18,386**	35,163	38,631
Mineral property interests *(note 5)*	**368,153**	368,153	343,153
	$ 4,789,789	$ 6,490,325	$ 993,146
Liabilities and shareholders' equity (deficiency)			
Current liabilities			
Accounts payable and accrued liabilities	**$ 804,497**	$ 1,029,120	$ 1,261,119
Due to related parties *(note 8)*	**97,052**	77,339	56,415
	901,549	1,106,459	1,317,534
Shareholders' equity (deficiency)			
Share capital *(note 7)*	**55,787,910**	55,787,910	53,321,192
Warrants *(note 7(e))*	**280,520**	315,982	98,250
Contributed surplus *(note 7(d))*	**4,063,295**	4,027,833	4,006,333
Accumulated other comprehensive income (loss)	**(1,236,539)**	(511,286)	226,625
Deficit	**(55,006,946)**	(54,236,573)	(57,976,788)
	3,888,240	5,383,866	(324,388)
	$ 4,789,789	$ 6,490,325	$ 993,146

Nature of Operations and Going Concern *(note 1)*

Subsequent event *(note 6)*

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Approved by the Board

Signed: ***"Kenneth Yurichuk"*** — Director

Signed: ***"Stephen J. Wilkinson"*** — Director

Valgold Resources Ltd.
(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Loss
for the three months ended October 31
(expressed in Canadian Dollars)
(Unaudited)

	October 31, 2011	October 31, 2011
Expenses		
Exploration costs *(note 14)*	**$ 377,457**	$ 49,473
Travel and conferences	**112,397**	-
Salaries and benefits	**105,717**	63,885
Other and administration *(note 8)*	**49,966**	19,900
Legal, accounting and audit	**45,288**	22,555
Consulting fees *(note 8)*	**34,500**	7,500
Shareholder communications	**31,115**	4,931
Foreign exchange (gain)	**1,278**	(1,989)
Depreciation	**682**	543
	758,400	166,798
Loss (recovery) in excess of mineral property acquisition costs	**17,867**	(200,000)
Gain on sale of investments	**(5,894)**	(62,575)
Income (loss) before income taxes	**(770,373)**	95,777
Income taxes - current	**-**	(9,269)
- deferred income taxes	**-**	60,985
Earnings (loss) for the period	**$ (770,373)**	$ 147,493
Earnings per common share - basic and diluted	**$ (0.02)**	$ -
Weighted average number of common shares outstanding	**38,010,407**	28,223,407

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
for the three months ended October 31
(expressed in Canadian Dollars)
(Unaudited)

	October 31, 2011	October 31, 2011
Earnings (loss) for the period	**$ (770,373)**	$ 147,493
Unrealized (loss) gain on available-for-sale investments, net of deferred income taxes	**(719,359)**	420,850
Realized gain on disposition of investments	**(5,894)**	45,000
Comprehensive income (loss)	**$ (1,495,626)**	$ 613,343

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
for the three months ended October 31, 2011 and 2010
(expressed in Canadian Dollars)
(Unaudited)

	Share Capital without par value *(note 7)* Shares	Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Deficit	Total Shareholders' Equity (Deficiency)
Balance, August 1, 2010	28,223,407	$ 53,321,192	$ 98,250	$ 4,006,333	$ 226,625	$ (57,976,788)	$ (324,388)
Revaluation of investments for the period	-	-	-	-	443,913	-	443,913
Deferred income tax related to investments	-	-	-	-	(60,985)	-	(60,985)
Realized gains on disposition of investments	-	-	-	-	(45,000)	-	(45,000)
Earnings (loss) for the period	-	-	-	-	-	147,493	147,493
Balance, October 31, 2010	28,223,407	$ 53,321,192	$ 98,250	$ 4,006,333	$ 564,553	$ (57,829,295)	$ 161,033
Balance, August 1, 2011	38,010,407	$ 55,787,910	$ 315,982	$ 4,027,833	$ (511,286)	$ (54,236,573)	$ 5,383,866
Revaluation of investments for the period	-	-	-	-	(719,359)	-	(719,359)
Warrants expired, unexercised	-	-	(35,462)	35,462	-	-	-
Realized gains on disposition of investments	-	-	-	-	(5,894)	-	(5,894)
Earnings (loss) for the period	-	-	-	-	-	(770,373)	(770,373)
Balance, October 31, 2011	**38,010,407**	**$ 55,787,910**	**$ 280,520**	**$ 4,063,295**	**$ (1,236,539)**	**$ (55,006,946)**	**$ 3,888,240**

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows
for the three months ended October 31,
(expressed in Canadian Dollars)
(Unaudited)

	October 31, 2011	October 31, 2011
Cash flow from operating activities		
Earnings (loss) for the period	**$ (770,373)**	$ 147,493
Items not affecting cash		
Depreciation	**1,307**	2,078
Gain on sale of investments	**(5,894)**	(62,575)
Deferred income tax recovery	**-**	(51,716)
Recovery in excess of mineral property acquisition costs (net)	**17,867**	(200,000)
Changes in non-cash operating working capital		
Accounts receivable and prepaids	**343,855**	31,805
Accounts payable and accrued liabilities	**(224,623)**	(30,174)
Due to/from related parties	**19,713**	13,566
	(618,148)	(149,523)
Cash flow from investing activities		
Mineral property acquisition costs	**-**	(495)
Proceeds on sale of investments	**330,166**	103,344
Proceeds from mineral property option	**-**	200,000
Purchase of equipment	**(2,397)**	-
	327,769	302,849
(Decrease) increase in cash during the period	**(290,379)**	153,326
Cash and cash equivalents, beginning of period	**424,744**	116,725
Cash and cash equivalents, end of period	**$ 134,365**	$ 270,051

Supplementary cash flow information *(note 9)*

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

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, Venezuela and Ukraine, and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable.

The condensed consolidated interim financial statements were approved by the Board of Directors on January 25, 2012**.**

The mineral properties of the Company are in the exploration and development stage and, as a result, the Company has no source of operating cash flow. The exploration and development of the Company's properties depends on the ability of the Company to obtain financing. At October 31, 2011, the Company has no source of operating cash flow and an accumulated deficit of $55,006,946 (July 31, 2011 - $54,236,573). At October 31, 2011, the Company has a working capital surplus of $3,501,701. Operations for the three months ended October 31, 2011, were funded primarily from a private placement completed on May 4, 2011, the sale of shares of investments, the use of cash on hand, and the sale of the Garrison Project in Ontario. Management believes that at October 31, 2011, the Company has sufficient funds to meet its current committed property costs (see note 5 and 14) as well as administrative expenses for the near term, but this cannot be assured.

If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and to place them into commercial production. The only source of future funds presently available to the Company is through the issuance of share capital, or by the sale of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing or sale of an interest in the future will depend in part upon the prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised through the issuance of shares, control of the Company may change and shareholders may suffer dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests.

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.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS"). These are the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on July 31, 2012, the Company's first annual IFRS reporting date. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian GAAP. These condensed consolidated interim financial statements should be read in conjunction with the July 31, 2011 consolidated financial statements.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at August 1, 2010, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in note 13.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these condensed consolidated interim financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending July 31, 2012.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss and available-for-sale which are measured at fair value.

These condensed consolidated interim financial statements 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.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and short-term interest-bearing investments with maturities of 90 days or less from the original date of acquisition. Cash and cash equivalents are recorded at fair value and changes in fair value are reflected in the condensed consolidated interim statements of loss.

2. Summary of Significant Accounting Policies - continued

(d) Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), or available-for-sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. A financial asset is derecognized when its contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

Financial assets at FVTPL

A financial asset is classified as FVTPL when the financial asset is held-for-trading or it is designated upon initial recognition as an FVTPL. A financial asset is classified as held-for-trading if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss. Transaction costs are expensed as incurred.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost less losses for impairment. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statements of loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2. Summary of Significant Accounting Policies - continued

(d) Financial instrument - continued

AFS financial assets

Non-derivative financial assets not included in the above categories are classified as AFS financial assets. They are carried at fair value with changes in fair value generally recognized in other comprehensive income (loss) and accumulated in the accumulated other comprehensive income (loss) ("AOCI") account. Impairment losses are recognized in the consolidated statements of comprehensive loss. Purchases and sales of AFS financial assets are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the AOCI account. On sale, the cumulative gain or loss recognized in other comprehensive income is reclassified from AOCI.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective rate.

The carrying amount of all financial assets, excluding accounts receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. Associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of loss. A provision for impairment is made in relation to accounts receivable, and an impairment loss is recognized in the consolidated statement of loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms.

With the exception of AFS equity instruments, if in a subsequent period the amount of impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had the impairment not been recognized.

2. Summary of Significant Accounting Policies - continued

(d) Financial instrument - continued

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate upon initial recognition. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payables and accrued liabilities and due to related party.

Financial liabilities are classified as FVTPL if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments (including separated embedded derivatives) unless they are designated as effective hedging instruments. Gains or losses on liabilities classified as FVTPL are recognized in the consolidated statement of loss.

Financial instruments carried at fair value

Financial instruments recorded at fair value on the condensed statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The required disclosures are included in Note 11.

2. Summary of Significant Accounting Policies - continued

(e) Buildings and equipment

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

(f) Mineral property interests

Mineral property acquisition costs are capitalized and deferred until the mineral property to which they relate is placed into production, sold, allowed to lapse, or is determined to be impaired. These costs are amortized on a units-of-production basis following commencement of commercial production or will be written off or down if the property is sold, allowed to lapse, or is determined to be impaired.

Mineral property acquisition costs include cash costs and the fair value of common shares, based on the trading price of the shares, issued for mineral property interests pursuant to the terms of the related property agreement. 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 as mineral property costs upon payment.

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. Administrative, property investigation, and exploration and evaluation expenditures are expensed in the period incurred.

(g) Exploration and evaluation costs

Exploration and development expenditures are expensed until the Company has determined that the property is economically viable and a production decision is made.

(h) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

(i) Option and royalty agreements

Option payments and certain royalties are made at the discretion of the optionee and, accordingly, are accounted for on a cash basis. Option and royalty payments received are treated as a reduction of the carrying value of the related mineral property until the Company's option and royalty payments received are in excess of costs incurred in which case it would be recorded as a recovery in excess of mineral property acquisition costs in the statement of loss.

2. Summary of Significant Accounting Policies - continued

(j) Translation of foreign currencies

These condensed consolidated interim financial statements are presented in Canadian dollars ("$"), which is the Company's functional and presentation currency. The functional currency for the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions entered into by the Company's subsidiary in a currency other than the currency of the primary economic environment in which it operates (its "functional currency") are recorded at the rates ruling when the transactions occur except depreciation and amortization which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized in the consolidated statements of loss. Foreign currency monetary assets and liabilities are translated at current rates of exchange with the resulting gain or losses recognized in the consolidated statements of comprehensive loss. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in statement of loss. Non-monetary assets and liabilities are translated using the historical exchange rates. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(k) Flow-through common shares

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under Canadian GAAP, but there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of a deferred income tax liability upon renunciation of the flow through expenditures is recorded as income tax expense in the period of renunciation.

(l) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2. Summary of Significant Accounting Policies - continued

(l) Income taxes - continued

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(m) Provisions and contingencies

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

(n) Loss per common share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

2. Summary of Significant Accounting Policies - continued

(o) Share-based payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(p) Significant accounting judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(q) Critical accounting estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) the recoverability of costs incurred to purchase mineral property interests;

(ii) the inputs used in accounting for share based payment transactions and in valuation of warrants included in investments and warrant liability; and

(iii) management assumption of no material provisions or obligations, based on the facts and circumstances that existed during the period.

3. Accounting Standards Issued But Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidated – Special Purpose Entities" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes the current IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures" and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 13 Fair Value Measurements ("IFRS 13") defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

(expressed in Canadian Dollars)

3. Accounting Standards Issued But Not Yet Effective - continued

IFRS 7 Financial instruments: disclosures ("IFRS 7"). The Accounting Standards Board ["AcSB"] approved the incorporation of the IASB's amendments to IFRS 7 Financial Instruments: Disclosures and the related amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards into Part I of the Handbook. These amendments were made to Part I in January 2011 and are effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted. The amendments relate to required disclosures for transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. The Company is currently evaluating the impact of IFRS 7 on its consolidated financial statements.

4. Buildings and Equipment

October 31, 2011	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Office equipment	**$ 13,120**	**$ 10,279**	**$ 2,841**
Buildings	**25,000**	**13,125**	**11,875**
Computer equipment	**22,903**	**19,233**	**3,670**
Field equipment	**32,075**	**32,075**	**-**
	$ 93,098	**$ 74,712**	**$ 18,386**

July 31, 2011	Cost	Accumulated Depreciation	Net Book Value
Office equipment	$ 13,120	$ 9,948	$ 3,172
Buildings	61,339	30,972	30,367
Computer equipment	20,435	18,811	1,624
Field equipment	32,075	32,075	-
	$ 126,969	$ 91,806	$ 35,163

(expressed in Canadian Dollars)

5. Mineral Property Interests

Three months ended October 31, 2011		**Opening Balance**		**Incurred**		**(Recoveries)**		**Closing Balance**
Mineral property acquisition costs								
Tower Mountain Property, Ontario (c)	**$**	**368,152**	**$**	**-**	**$**	**-**	**$**	**368,152**
Venezuela Properties, Venezuela (b)		**1**		**-**		**-**		**1**
Garrison Property, Ontario (a)		-		-		-		-
Total acquisition costs	**$**	**368,153**	**$**	**-**	**$**	**-**	**$**	**368,153**

Year Ended July 31, 2011		**Opening Balance**		**Incurred**		**(Recoveries)**		**Closing Balance**
Mineral property acquisition costs								
Tower Mountain Property, Ontario (c)	$	343,152	$	25,000	$	-	$	368,152
Venezuela Properties, Venezuela (b)		1		-		-		1
Garrison Property, Ontario (a)		-		-		-		-
Total acquisition costs	$	343,153	$	25,000	$	-	$	368,153

(a) Garrison Property, Ontario

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

On May 13, 2011 the Company closed a sales agreement with Northern Gold Mining Inc. (“Northern Gold”) for the Garrison Project and realized a gain of $6,514,845 in earnings. In consideration for this sale, the Company received, at the closing, a cash payment of $325,000 and a promissory note for an additional $325,000 to be paid on or before August 13, 2011 (received); 16 million common shares in Northern Gold (“Northern Gold Shares”) (received) giving the Company aggregate ownership of approximately 14.8% of the issued and outstanding shares of Northern Gold on a non-diluted basis; a 2% net smelter return royalty of which (i) half (i.e. 1%) can be acquired by Northern Gold for $5 million paid to the Company upon the earlier of thirty-six months following the date of closing and the commencement of commercial production, and (ii) the remaining 1% can be acquired for a further payment of $10 million at any time upon the earlier of seventy-two months following the date of closing and the commencement of commercial production. A $Nil value was assigned to the net smelter return royalty received at the transaction date.

5. Mineral Property Interests - continued

(b) 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"). Due to uncertainties about the Company's ability to actively explore and finance its Venezuelan exploration property interests the Company wrote down its mineral property interests by $1,322,557 to a nominal carrying value of $1 in fiscal 2010.

During the three months ended October 31, 2011 the Company was notified that the Bolivarian Republic of Venezuela issued a Decree with the rank Value and Force of Organic Law Reserving to the State the Activities of Exploration and Exploitation of Gold and their Related and Auxiliary Activities. The Nationalization Law will be reducing the participation of current private investors, such as Valgold Resources Ltd. to a minority shareholding maximum of 45 % of the rights and assets of the mining companies already operating in Venezuela. The Nationalization Law will considerably change the governance of the companies. Valgold in conjunction with its advisors, intends to take all necessary steps afforded to it to protect its investment.

(c) Tower Mountain Project, Ontario

The Company holds a 100% interest in the Tower Mountain Gold Property located in north western Ontario. Commencing in 2008, an annual pre-production royalty of $25,000 in cash or shares is payable, ending on commencement of production. 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. As at October 31, 2011 there is a royalty payment of $25,000 that is payable and included in accrued liabilities.

(d) Property Investigation

Muzhievo Project, Ukraine

On September 15, 2011 the Company entered into an agreement to acquire a 75% interest in a private Ukrainian company, Klinservis - Center Ltd., which is to hold title to a 25 year mining licence over the past producing Muzhievo gold-silver mine and the surrounding mineral fields of the Beregovo Mining District in western Ukraine ("the MBK Project").

5. Mineral Property Interests - continued

(d) Property Investigation - continued

Muzhievo Project, Ukraine - continued

ValGold has agreed to purchase the 75% interest in the private company established for this transaction by issuing 3.5 million common shares of ValGold and for cash of US$10.0 million dollars. Upon ValGold's satisfactory completion of Due Diligence and the Legal Confirmation of the mineral title, ValGold will pay to the Selling Group a total 3.5 million common shares in two payments where:

- 1.5 million shares are to be issued subject to regulatory approval of the transaction, and;
- 2.0 million shares are to be issued 12 months following the date of issue of the first share payment.

ValGold will make cash payments totaling US$10.0 million in three installments as follows:

- The first installment will be US$2.5 million to be paid with the first share payment;
- The second installment will be US$2.5 million to be paid with the second share payment, and;
- The final cash installment of US$5.0 million will be paid on or before the date 12 months following the second installment.

Cumulatively to October 31, 2011 the Company expended $1,376,918 on property investigations related to this project. These costs were expensed in the period they were incurred. As at October 31, 2011 the transaction had not received regulatory approval.

(expressed in Canadian Dollars)

6. Investments

	Number of Shares	Cost October 31, 2011	Fair Value October 31, 2011
Northern Gold Mining Inc. *(note 5(a))*	16,392,500	$ 5,396,583	$ 4,180,089
Quorum Management and Administrative Services Inc.	1	1	1
Total		$ 5,396,584	$ 4,180,090

	Number of Shares	Cost July 31, 2011	Fair Value July 31, 2011
Northern Gold Mining Inc.	17,377,500	$ 5,720,855	$ 5,229,614
Quorum Management and Administrative Services Inc.	1	1	1
Total		$ 5,720,856	$ 5,229,615

During the three months ended October 31, 2011, the Company sold 985,000 common shares of Northern Gold Mining Inc. for net proceeds of $330,166.

Subsequent to October 31, 2011, the Company sold 5,532,500 shares of Northern Gold Inc. for net proceeds of $1,115,579.

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

2012

None

2011

A first tranche of 1,110,000 units totalling $333,000 closed on November 23, 2010. 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. Finders' fees of $15,000 were paid in association with this portion of the offering. In addition, the Company issued 50,000 finder's warrants which are exercisable to purchase one common share of the Company at a price of $0.30 until November 23, 2012. The value allocated to each of the warrants using a modified Black-Scholes calculation with a volatility factors of 96% and a risk-free rate of 1.6% ranges from $0.07 per warrant and $0.12 per finders' warrants.

A second tranche of 1,441,000 units totalling $432,300 with the same terms as described above closed on December 20, 2010. Finders' fees of $19,500 were paid in association with this portion of the offering. In addition, the Company issued 65,000 finder's warrants which are exercisable to purchase one common share of the Company at a price of $0.30 up to December 21, 2012. The value allocated to each of the warrants using a modified Black-Scholes calculation with a volatility factors of 96% and a risk-free rate of 1.6% ranges from $0.07 per warrant and $0.15 per finders' warrants.

7. Share Capital - continued

(c) Private placements - continued

On May 4, 2011 the Company completed a non-brokered private placement of a total of 6,785,000 common shares at a price of $0.27 per share for gross proceeds of $1,831,950. Finder's commission was paid comprising 180,000 common shares of the Company and 180,000 Finder's Warrants. Each Finder's Warrant is exercisable to acquire one common share in the capital of the Company at a price of $0.30 per share up to November 3, 2012. The value allocated to each of the warrants using a modified Black-Scholes calculation with a volatility factors of 57% and a risk-free rate of 1.68% is $9,804.

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 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.

Finders' fees totalling $52,580 were paid 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. 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 Black-Scholes 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.

(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 3,801,041 (2010 - 2,822,341) stock options. The following table summarizes changes in the number of stock options outstanding:

(expressed in Canadian Dollars)

7. Share Capital - continued

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2010	**2,733,000**	$ 0.20
Granted	**555,000**	$ 0.31
Exercised	**(271,000)**	$ 0.20
Cancelled and forfeited	**(103,000)**	$ 0.19
Balance, July 31, 2011 and October 31, 2011	**2,914,000**	$ 0.22
Exercisable at October 31, 2011	**2,876,500**	$ 0.22

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 stock options granted during the year ended July 31, 2011, using the Black-Scholes valuation model was $115,505.

The following table summarizes information about the stock options outstanding at October 31, 2011:

Number Outstanding October 31, 2011	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
280,000	0.4	$ 0.19
30,000	0.6	$ 0.19
70,000	1.1	$ 0.19
89,000	2.0	$ 0.19
1,890,000	3.5	$ 0.20
555,000	4.4	$ 0.31
2,914,000	3.3	$ 0.22

(expressed in Canadian Dollars)

7. Share Capital - continued

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

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option valuation model with weighted average assumptions as follows:

	October 31, 2011	July 31, 2011
Risk-free interest rate	-	2.1%
Expected life in years	-	5.0
Expected volatility	-	87%
Weighted average fair value per option granted	-	$0.31

The Black-Scholes 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 Black-Scholes 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 Black-Scholes value estimate of stock options granted. The value of stock options related to stock-based compensation charged to contributed surplus in the three months ended October 31, 2011, was $Nil (2010 - $Nil).

(e) Warrants (see Consolidated Statements of Shareholders' Equity)

The following table summarizes warrants transactions for the year ended July 31, 2011 and the three month period ended October 31, 2011:

	Warrants	Weighted Average Exercise Price
Balance, July 31, 2010	2,107,000	$ 1.58
Issued	6,562,000	$ 0.25
Issued	2,846,000	$ 0.48
Expired, unexercised	(2,107,000)	$ (1.58)
Balance, July 31, 2011	9,408,000	$ 0.32
Expired, unexercised	(293,500)	$ 0.25
Balance, October 31, 2011	9,114,500	$ 0.32

(expressed in Canadian Dollars)

7. Share Capital - continued

(e) Warrants - continued

As at October 31, 2011, 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
50,000	$ 0.30	November 23, 2012
1,110,000	$ 0.50	November 23, 2012
65,000	$ 0.30	December 20, 2012
1,441,000	$ 0.50	December 20 2012
180,000	$ 0.30	November 3, 2012
9,114,500	$ 0.32	

8. Related Party Transactions and Balances

Services provided by:	Three months ended October 31, 2011	2011
Quorum Management and Administrative Services Inc. (a) and (b)	**$ 174,773**	$ 98,617
Kent Avenue Consulting Ltd. (b)	**9,000**	-
759924 Ontario Ltd. (c)	**18,000**	-
	$ 201,773	$ 98,617

Balances payable to:	October 31, 2011	July 31, 2011
Quorum Management and Administrative Services Inc. (a)	**$ (97,052)**	$ (77,339)

(a) Management, administrative, geological and other services have been provided by Quorum Management and Administrative Services Inc. ("Quorum") 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 October 31, 2011, 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 October 31, 2011, the Company did not have three months of fees advanced to Quorum. Included in the amounts paid to Quorum for the three month period ended October 31, 2011 is $52,500 (October 31, 2010 - $45,000) to the president of the Company.

(expressed in Canadian Dollars)

8. Related Party Transactions and Balances - continued

(b) Consulting fees of $7,500 (October 31, 2010 - $7,500) 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. In addition the Company directly paid $9,000 to Kent Avenue Consulting Ltd. for period ended October 31, 2011 (October 31, 2010 - $Nil).

(c) 759924 Ontario Ltd. is controlled by the Chief Financial Officer of the Company.

Transactions with related parties are recorded at their exchange values which are the amounts entered into and agreed by both parties.

9. Supplementary Cash Flow Information

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

	October 31, 2011	**October 31, 2011**
Mineral property acquisition costs included in accounts payable	**$ 25,000**	$ 50,000

10. Capital Management

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 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. (See Note 1).

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

(expressed in Canadian Dollars)

11. Financial Instruments and Risk Management

As at October 31, 2011, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	October 31, 2011		July 31, 2011	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Held-for-trading				
Cash and cash equivalents	$ 134,365	$ 134,365	$ 424,744	$ 424,744
Available-for-sale				
Investments	$ 4,180,090	$ 4,180,090	$ 5,229,615	$ 5,229,615
Other financial liabilities				
Accounts payable and accrued liabilities	804,497	804,497	1,029,120	1,029,120
Due to related party	97,052	97,052	77,339	77,339
	901,549	901,549	1,106,459	1,106,459
	$ 5,081,639	$ 5,081,639	$ 6,336,074	$ 6,336,074

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

Categorization and valuation

Within the fair value hierarchy, the fair-values of the Company's financial instruments are calculated as follows:

	October 31, 2011	**July 31, 2011**
Cash and cash equivalents	Level 2	Level 2
Investments without hold period	Level 1	Level 1
Investments with hold period	Level 2	Level 2
Accounts payable and accrued liabilities	Level 2	Level 2
Due to related parties	Level 2	Level 2

The Company has categorized its financial instruments as follows:

i) Cash and cash equivalents are categorized as held-for-trading (FVTPL), and are recorded at their fair value with changes in fair value recorded in the consolidated statement of loss.

ii) Accounts receivable 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.

(expressed in Canadian Dollars)

11. Financial Instruments and Risk Management - continued

Categorization and valuation - continued

iii) Investments are categorized as available-for-sale and are recorded at their fair value. Changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired.

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.

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 exposure to credit risk at the balance sheet date under its financial instruments is summarized as follows:

	October 31, 2011	**July 31, 2011**
Accounts receivable and other receivables		
Currently due	**$ 88,795**	$ 432,650
Past due by 90 days or less, not impaired	**-**	-
Past due by greater than 90 days, not impaired	-	-
	88,795	432,650
Cash and cash equivalents	**134,365**	424,744
	$ 223,160	$ 857,394

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 investments in publicly-traded companies and any receivables. 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 October 31, 2011, is the carrying value of its financial assets.

11. Financial Instruments and Risk Management - continued

Additional information relating to 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. Further information regarding liquidity risk is set out in Note 1. As at October 31, 2011, the contractual maturities are summarized as follows:

		October 31, 2011		**July 31, 2011**
Accounts payable and accrued liabilities with contractual maturities				
Within 90 days or less	**$**	**807,497**	$	1,029,120
In later than 90 days, not later than one year	**$**	**-**	$	-
Due to related parties with contractual maturities				
Within 90 days or less	**$**	**97,052**	$	77,339
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.

Interest rate risk

The Company has no significant exposure as at October 31, 2011, to interest rate risk through its financial instruments.

Currency risk

The Company's currency risk arises primarily with fluctuations in the 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 October 31, 2011, 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.

(expressed in Canadian Dollars)

11. Financial Instruments and Risk Management - continued

		October 31, 2011		July 31 2011
United States dollars				
Cash and cash equivalents	**$**	**41,518**	$	34,822
Accounts payable and accrued liabilities	**$**	**(81,986)**	$	(129,151)
Venezuelan bolivars				
Cash and cash equivalents	**$**	**45,402**	$	357,963
Accounts payable and accrued liabilities	**$**	**(132,428)**	$	(404,040)

Based on the above net exposures at October 31, 2011, 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 $4,047 (2010 - $30,533) in the Company's gain (loss) from operations, and a 10% appreciation or depreciation of the Canadian dollar against the Venezuelan bolivar would result in an increase/decrease of $8,703 (2010 - $28,383) in the Company's gain (loss) from operations.

12. Segment Information

October 31, 2011		**Canada**		**Venezuela**		**Total**
Mineral property interest	**$**	**368,152**	**$**	**1**	**$**	**368,153**
Equipment		**18,386**		**-**		**18,386**
Other		**4,403,250**		**-**		**4,403,250**
Total assets	**$**	**4,789,788**	**$**	**1**	**$**	**4,789,789**

July 31, 2011		**Canada**		**Venezuela**		**Total**
Mineral property interest	$	368,152	$	1	$	368,153
Equipment		35,163		-		35,163
Other		6,087,009		-		6,087,009
Total assets	$	6,490,324	$	1	$	6,490,325

13. IFRS Transition

As stated under Significant Accounting Policies (Note 2), these are the Company's first financial statements prepared in accordance with IFRS (International Financial Reporting Standards) as issued by the IASB. The policies set out in the Significant Accounting Policies section have been applied in preparing the financial statements for the three months ended October 31, 2011, the comparative information presented in these condensed consolidated interim financial statements for the three months ended October 31, 2010 and the year ended July 31, 2011 and in the preparation of an opening IFRS statement of financial position at August 1, 2010 (the Company's date of transition).

The Company has followed the recommendations in IFRS-1 First-time adoption of IFRS, in preparing its transitional statements.

(a) IFRS Exemptions and Choices

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at August 1, 2010, the Company's "Transition Date":

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the additional notes that accompany the tables.

Mandatory exceptions to retrospective application

Estimates: Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

(expressed in Canadian Dollars)

13. IFRS Transition - continued

(b) Reconciliation from Canadian GAAP to IFRS

Recognition and measurement differences exist between Canadian GAAP and IFRS in certain areas. To illustrate the effects of these differences, certain financial statements previously reported under Canadian GAAP have been reconciled to the equivalent IFRS statements, and reconciling differences explained. The adoption of IFRS has had no material impact on the cash flows of the Company, and as such, no reconciliation of prior period cash flow statements has been presented.

Reconciliation of equity:

	August 1, 2010		
	Canadian GAAP	**Adjustments**	**IFRS**
Assets			
Current assets	$ 611,362	$ -	$ 611,362
Buildings and equipment and mineral property interests	381,784	-	381,784
Total assets	$ 993,146	$ -	$ 993,146
Liabilities			
Total current liabilities	$ 1,317,534	$ -	$ 1,317,534
Total liabilities	1,317,534	-	1,317,534
Shareholders' deficiency			
Share capital (i)	52,491,190	830,002	53,321,192
Warrants	98,250	-	98,250
Contributed surplus	4,006,333	-	4,006,333
Accumulated comprehensive income	226,625	-	226,625
Deficit (i)	(57,146,786)	(830,002)	(57,976,788)
	(324,388)	-	(324,388)
Total liabilities and shareholders' deficiency	$ 993,146	$ -	$ 993,146

(expressed in Canadian Dollars)

13. IFRS Transition - continued

(b) Reconciliation from Canadian GAAP to IFRS - continued

Reconciliation of equity:

	July 31, 2011		
	Canadian GAAP	**Adjustments**	**IFRS**
Assets			
Current assets	$ 6,087,009	$ -	$ 6,087,009
Buildings and equipment and mineral property interests	403,316	-	403,316
Total assets	$ 6,490,325	$ -	$ 6,490,325
Liabilities			
Total current liabilities	$ 1,106,459	$ -	$ 1,106,459
Total liabilities	1,106,459	-	1,106,459
Shareholders' equity			
Share capital (i)	54,766,583	1,021,327	55,787,910
Warrants	315,982	-	315,982
Contributed surplus	4,027,833	-	4,027,833
Accumulated comprehensive loss	(511,286)	-	(511,286)
Deficit (i)	(53,215,246)	(1,021,327)	(54,236,573)
	5,383,866	-	5,383,866
Total liabilities and shareholders' equity	$ 6,490,325	$ -	$ 6,490,325

(expressed in Canadian Dollars)

13. IFRS Transition - continued

(b) Reconciliation from Canadian GAAP to IFRS - continued

Reconciliation of equity:

	October 31, 2010		
	Canadian GAAP	**Adjustments**	**IFRS**
Assets			
Current assets	$ 1,081,758	$ -	$ 1,081,758
Buildings and equipment and mineral property interests	380,201	-	380,201
Total assets	$ 1,461,959	$ -	$ 1,461,959
Liabilities			
Total current liabilities	$ 1,300,926	$ -	$ 1,300,926
Total liabilities	1,300,926	-	1,300,926
Shareholders' equity			
Share capital (i)	52,491,190	830,002	53,321,192
Warrants	98,250	-	98,250
Contributed surplus	4,006,333	-	4,006,333
Accumulated comprehensive loss	564,553	-	564,553
Deficit (i)	(56,999,293)	(830,002)	(57,829,295)
	161,033	-	161,033
Total liabilities and shareholders' equity	$ 1,461,959	$ -	$ 1,461,959

(expressed in Canadian Dollars)

13. IFRS Transition - continued

(b) Reconciliation from Canadian GAAP to IFRS - continued

Reconciliation of comprehensive income

	July 31, 2011	October 31, 2010
Comprehensive income under Canadian GAAP	$ 3,931,540	$ 147,493
Future income tax recovery (i)	(191,325)	-
Comprehensive income under IFRS	$ 3,740,215	$ 147,493

(i) Under Canadian GAAP, the Company had followed the recommendations of the Emerging Issues Committee ("EIC") of the CICA with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 required the recognition of the foregone tax benefit on the date the Company renounced the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

As part of the transition to IFRS the Company has adopted a policy to allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income on a pro-rata basis based on the corresponding eligible expenditures that have been incurred.

Further, the corresponding reduction of share capital in respect of flow-through share financing as previously recorded under Canadian GAAP is now recorded as an expense in the statement of net loss and comprehensive loss.

The effects of this transitional change resulted in an increase in share capital and deficit of $830,002 as at August 1, 2010 and October 31, 2010 and $1,021,327 as at July 31, 2011. The change also resulted in a reduction of the future income tax recovery for the year ended July 31, 2011 in the amount of $191,325.

(expressed in Canadian Dollars)

14. Exploration and Evaluation Costs

	For the Three Months Ended October 31, 2011				
	Tower Mountain and Other, Ontario	**Venezuelan Properties, Venezuela**	**Muzhievo Properties, Ukraine**	**Garrison Property, Ontario**	**Total**
Exploration expenses					
Incurred and expensed to July 31, 2011	**$ 3,347,424**	**$ 4,107,060**	**$ 1,230,143**	**$ 3,706,093**	**$ 12,390,720**
Incurred during the period					
Geological and geophysical	135,122	-	-	-	135,122
Land lease and property taxes	-	43,169	-	-	43,169
Property investigations	-	-	146,775	-	146,775
Site activities	1,131	49,377	-	-	50,508
Transportation	1,514	369	-	-	1,883
Exploration expenses, three months ended October 31, 2011	**$ 137,767**	**$ 92,915**	**$ 146,775**	**$ -**	**$ 377,457**
Cumulative exploration costs for mineral property interest held at October 31, 2011	**$ 3,485,191**	**$ 4,199,975**	**$ 1,376,918**	**$ 3,706,093**	**$ 12,768,177**

(expressed in Canadian Dollars)

14. Exploration and Evaluation Costs - continued

	For the Three Months Ended October 31, 2010			
	Tower Mountain and Other, Ontario	**Venezuelan Properties, Venezuela**	**Garrison Property, Ontario**	**Total**
Exploration expenses				
Incurred and expensed to July 31, 2010	**$ 2,691,500**	**$ 3,701,583**	**$ 3,703,458**	**$ 10,096,541**
Incurred during the period				
Land lease and property taxes	-	25,199	-	25,199
Site activities	726	22,680	868	24,274
Exploration expenses, three months ended October 31, 2010	**$ 726**	**$ 47,879**	**$ 868**	**$ 49,473**
Cumulative exploration costs for mineral property interest held at October 31, 2010	**$ 2,692,226**	**$ 3,749,462**	**$ 3,704,326**	**$ 10,146,014**

(expressed in Canadian Dollars)

14. Exploration and Evaluation Costs - continued

For Year Ended July 31, 2011

	Tower Mountain and Other, Ontario	Venezuelan Properties, Venezuela	Muzhievo Properties, Ukraine	Manitoba Properties	Garrison Property, Ontario	Guyana Properties, Guyana	Total
Exploration expenses							
Incurred and expensed to July 31, 2010	$ 2,691,500	$ 3,701,483	$ -	$ 239	$ 3,703,458	$ -	$ 10,096,680
Incurred during the year							
Essay and analysis	101,072	-	-	-	-	-	101,072
Drilling	431,742	-	-	-	-	-	431,742
Geological and geophysical	98,097	-	-	-	-	-	98,097
Land lease and property taxes	-	344,297	-	-	-	-	344,297
Property investigations	-	-	1,230,143	-	-	-	1,230,143
Site activities	15,025	59,593	-	-	2,635	-	77,253
Travel and accommodation	9,988	1,687	-	-	-	-	11,675
Recovery of exploration costs accrued	-	-	-	-	-	(210,510)	(210,510)
Exploration expenses, year ended July 31, 2011	**$ 655,924**	**$ 405,577**	**$ 1,230,143**	**$ -**	**$ 2,635**	**$ (210,510)**	**$ 2,083,769**
Cumulative exploration costs for mineral property interest held at July 31, 2011	**$ 3,347,424**	**$ 4,107,060**	**$ 1,230,143**	**$ 239**	**$ 3,706,093**	**$ (210,510)**	**$ 12,180,449**