

ValGold Resources Ltd.
Management Discussion and Analysis for the
Three Months Ended October 31, 2011

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1.1 Date

The effective date of this interim report is January 25, 2012.

1.2 Overview

ValGold Resources Ltd. (“ValGold” or the “Company”) is a mineral exploration company. The Company has a portfolio of mineral exploration projects.

This Management’s Discussion and Analysis (“MD&A”) contains certain “Forward-Looking Statements”. All statements, other than statements of historical fact included herein, including without limitation, statements regarding potential mineralization and resources, research and development activities, and future plans of the Company are forward-looking statements that may involve various risks and uncertainties including future changes in prices of gold and other metals; variations in ore reserves, grades or recovery rates, accidents, labour disputes and other risks associated with mining; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, technological obsolescence, and other factors. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. Subject to applicable laws, the Company expressly disclaims any obligation to revise or update forward-looking statements in the event actual results differ from those currently anticipated.

This MD&A should be read in conjunction with the audited consolidated financial statements of ValGold for the years ended July 31, 2011 and 2010. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

The following is a brief summary of its current activities.

- ValGold’s earnings (loss) for the three months ended October 31, 2011 (“fiscal 2012”) was \$(770,373) or \$(0.02) per share compared to earnings of \$147,493 or \$0.00 per share in the three months ended October 31, 2010 (“fiscal 2011”).
- In fiscal 2010 the Company received cash of \$25,000 and 2,187,500 common shares in consideration for the \$200,000 option payment of Northern Gold Mining Inc. (“Northern Gold”) for the option of its Garrison Property in Ontario with a fair value at January 31, 2010 of \$437,501. In fiscal 2011, the Company received \$525,000 on its option agreement with Northern Gold and a promissory note for an additional \$325,000 that was paid on August 13, 2011. The Company sold 985,000 of its common shares of Northern Gold for a gain of \$5,894. At October 31, 2011 the Company held 16,392,500 shares of Northern Gold with a fair value of \$4,180,089.
- During fiscal 2012, cash used in operations was \$618,148, compared to \$149,523 used in fiscal 2011. Exploration expenses totalled \$377,457 in fiscal 2012 compared to \$49,473 in fiscal 2011. Exploration activities were incurred on the following mineral properties in fiscal 2012, with the comparative figures for fiscal 2011 in parentheses: Tower Mountain - \$137,767 (\$726), Venezuelan properties - \$92,915 (\$47,879), Muzhievo properties - \$146,775 (\$NIL); and the Garrison Property - \$NIL (\$868).

At October 31, 2011, the Company had a working capital surplus of \$3,501,701, including \$97,052 owing to related parties. The Company’s ability to continue operations is contingent on its ability to obtain additional financing, as its current cash on hand is to primarily be used to finance exploration activities on the Company’s Tower Mountain property and for general working capital.

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Management believes that at October 31, 2011, the Company has sufficient funds to meet its current committed property costs as well as administrative expenses for the year. Although there are no assurances that management's plan will be realized, management believes the Company may be able to secure the necessary financing to continue operations into the future. With current market conditions, financing may be in the form of equity offerings, sales of assets, joint ventures, or other form of corporate reorganization. The Company has sold a portion of its investment in common shares of public companies, which have been used as a source of working capital.

1.2.1 Venezuela Acquisition

During the first quarter, 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 Auxilliary Activities. The Nationalization Law will be reducing the participation of current private investors, such as ValGold 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 are taking all necessary steps afforded to it to protect its investment. ValGold is officially requesting a meeting with the Venezuelan Negotiating Committee to ensure its rights are protected and not compromised.

1.2.2 Garrison Property, Ontario

ValGold had held a 100% right, title and interest in 35 mining claims located in Garrison Township, Kirkland Lake District ("Garrison Project"), Larder Lake Mining Division in Northern Ontario. The property is located 40 km north of the Town of Kirkland Lake, 100 km east of Timmins and 8 km west of and on strike with St. Andrews Goldfields Ltd.'s Holloway and Holt-McDermott gold mines. Access to the property is by Ontario highway 101 that runs along the north boundary of the property

On September 23, 2010, A.C.A. Howe International Limited ("Howe") completed a mineral resource estimate for the Garrcon Deposit, which is part of the Garrison property. The estimate was completed in accordance with Canadian Securities Administration National Instrument 43-101 ("NI 43-101") and CIM Standards on Mineral Resources and Reserves. The resource estimate, using a block cut-off grade of 0.5 g/t gold and a specific gravity of 2.6 g/cm³, reports an Indicated Resource of 3.78 million tonnes at a grade of 1.2 g/t containing 144,000 ounces of gold. An Inferred Resource of 18.5 million tonnes at a grade of 0.9 g/t containing 530,000 ounces gold is also reported. Adding the indicated and inferred resources above to the indicated and inferred resources reported for the Jonpol Deposit in the October 2009 Technical Report filed by Northern Gold on SEDAR October 21, 2009, brings total resources on the Garrison Gold Property to 207,000 ounces gold in the indicated category and 776,000 ounces gold in the inferred category.

ValGold and Northern Gold closed on May 13th, 2011 a definitive agreement to consolidate 100% ownership of the Garrison Property. Under the terms of the agreement Northern Gold purchased ValGold's interest in the Garrison Option and Joint Venture Agreement, subject to closing and regulatory approval.

In consideration for this sale, ValGold received at the closing:

- a cash payment of C\$325,000 and a promissory note for an additional C\$325,000 to be paid on or before August 13, 2011 (the "Note");

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- 16 million common shares in Northern Gold ("Northern Gold Shares") giving ValGold aggregate ownership of approximately 14.8% of the issued and outstanding shares of Northern Gold on a non-diluted basis; and
- a 2% net smelter return royalty of which (i) half (i.e. 1%) can be acquired by Northern Gold for C\$5 million paid to ValGold at any time 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 C\$10 million at any time upon the earlier of seventy-two months following the date of closing and the commencement of commercial production.

For a period ending on the earlier of twenty-four months after closing or a change of control Northern Gold has a right to vote the Northern Gold Shares. In addition, Northern Gold has a right of first refusal to provide a buyer for any sale by ValGold in excess of 160,000 Northern Gold Shares in any calendar month.

Prior to the closing of the buy-out of the Garrison Option and Joint Venture Agreement, ValGold owned a total of 1,437,500 common shares of Northern Gold. As a result of the sale, ValGold was issued 16.0 million common shares of Northern Gold for an aggregate holding of 17,437,500 common shares of Northern Gold representing approximately 14.7% of the 118,758,415 common shares issued and outstanding on a post-closing basis. ValGold acquired the common shares of Northern Gold for investment purposes, and has no current intention to increase the beneficial ownership of, or control or direction over, securities of Northern Gold. Over the period from August 1, 2010, to January 25, 2012, the shares of Northern Gold traded in a range from \$0.17 to \$0.445.

1.2.3 Tower Mountain Gold Project, Ontario

Current Status:

ValGold conducted exploration during 2011 using funds from a flow-through private placement completed in December 2010.

During 2011, the Company's drill program was designed to be completed in two rounds of which the initial round consisted of 13 holes for 2,100m. The initial round was completed in May, 2011.

The Phase 2 diamond drill program, which was completed in June, consisted of 2,580m in 16 holes. The program provided additional data and to better determine the dimensions of the wide intersection of low-grade gold mineralization encountered on the 31-Bench, in Phase 1 of the 2011 drill program.

The 31-Bench Zone is developing into a near-surface, large, low-grade gold occurrence which remains open for expansion in all directions. Currently, the gold zone extends from surface to a depth of 150 meters with a strike length of more than 300 meters and width of 120-180 meters.

During the three months ended October 31, 2011 an airborne geophysical survey was completed over the central portion of the property. The survey was intended to test for any geophysical signature to the newly discovered gold zones and to determine the potential extensions of the zones beyond the drilled areas. The results for the surveys may be received in early 2012.

The scientific and technical information respecting the Tower Mountain Gold Project was reviewed by Robert Chataway, P.Geo., who is a Qualified Person as defined in National Instrument 43-101.

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1.2.4 MBK Project, Ukraine

In September 2011, ValGold announced its agreement to acquire a 75% interest in a private Ukrainian company, Klinservis - Center Ltd., which is to hold 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"). The Beregovo mining district will be covered within one mining licence that measures approximately 75 square kilometres. The mining licence will include the primary properties such as the Muzhievo mine, and the Beregovo and Kvasovo projects. The licence will have a 25-year term. The MBK Project acquisition is subject to regulatory approval and settlement of a final Joint Venture agreement. ValGold will pay US\$10,000,000 in cash and will issue 3.5 million ValGold common shares. Further details of the acquisition are outlined in a news release dated September 21, 2011.

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.

Background

Mining in the Muzhievo region is reported to date back to the 12th century and to the Holy Roman Empire when extraction focused on the silver in lead and zinc occurrences. Modern exploration commenced during the 1960's and resulted in the discovery of lead (Pb), zinc (Zn) and gold (Au) mineralization at Muzhievo. By 1972 gold-bearing quartz veins and stockworks associated with the Muzhievo mineralized zones were discovered, which led to more extensive exploration. It is reported that some 2,000 drill holes were subsequently completed and approximately 30km of underground workings on six levels were developed, which included a decline, two adits and a 130m vertical shaft. In 1990, Soviet geologists of the USSR State Reserve Commission (GKZ) published a historical C1 + C2 mineable reserve for the Muzhievo mineralization of 14,709,300 tonnes ("t") of 1.88 g/t Au; 38.35 g/t Ag; 2.07% Pb and 4.76% Zn. These historical resource estimates do not comply with the current Canadian Institute of Mining, Metallurgy and Petroleum Resources (CIM) Definition Standards on Mineral Resources and Mineral Reserves as required by National Instrument 43-101 (NI 43-101) Standards of Disclosure for Mineral Projects. The Company is not treating the historical estimate as current mineral resources and cautions that such estimates should not be relied upon.

Geology

The Beregovo Mining District occurs within the Carpathian Neogene volcanic belt in which there are three recognized stages: the earliest stage is represented by predominantly rhyolitic volcanism; the middle stage is more andesitic to basaltic rocks with the latest events being much younger basaltic and andesitic flows. The gold and base metal mineralization appears related to the early stage volcanism, particularly associated with faults and fractures formed during the subsidence of a series of caldera.

Mineralization at the Muzhievo mine and on the Beregovo permits consists of high sulphidation epithermal deposits that occur mainly as east-west veins that measure up to 8.4m in thickness within the mine workings. Historical drill intersections have returned up to 32.60m averaging 3.60 g/t gold, 31.60 g/t silver, 3.89% lead and 5.68% zinc. The veins are composed mainly of quartz with barite and carbonate minerals. Sulphide minerals are common in the quartz veins and include sphalerite (zinc sulphide), galena (lead sulphide) and iron sulphide minerals such as pyrrhotite, pyrite and marcasite. Chalcopyrite is also a common ore mineral. Gold occurs as very minute disseminations and silver is present in silver sulphosalts with galena.

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Dr. Derek McBride, P.Eng, is the Qualified Person ("QP") for the Company, responsible for the accuracy of the technical aspects of the MBK Project.

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Note on Historical Resources

It is important to note that all of the historical and technical data presented predates National Instrument 43-101, is only presented as historical information and should not be relied upon. A compliant NI 43-101 report has been initiated for ValGold by an independent QP. ValGold intends to have the report include details of an exploration and development work program that should address the process by which it can prepare compliant resource estimates for the mining project.

These historical resource estimates do not comply with the current Canadian Institute of Mining, Metallurgy and Petroleum Resources (CIM) Definition Standards on Mineral Resources and Mineral Reserves as required by National Instrument 43-101 ("NI 43-101") Standards of Disclosure for Mineral Projects. A QP has not done sufficient work to upgrade or classify these historical resource estimates as current NI-43-101 compliant mineral resources. The Company is not treating the historical estimate as current mineral resources and cautions that such estimates should not be relied upon. Given the quality of the historic work completed on the mine, ValGold believes that the historic C1 + C2 reserves and the P1 + P2 resources estimate may be relevant as an indicator of the resource potential.

For the purpose of reporting historical data, the Soviet era resource estimates are not considered compliant with NI 43-101 standards. According to the Soviet guidelines for Resource Classification, C1 and C2 reserve estimates are made within the guidelines set forth by the USSR State Committee on Reserves. The C1 reserves and resources are reportedly estimated from data derived by drilling, surface and underground sampling. In addition, C1 resources may be applied to make a pre-feasibility study and to define the nature of the resource for future planning. Soviet feasibility studies conformed to industry standards, including mineralogical, mining and metallurgical evaluations in addition to the resource estimate. Pending data verification, the C1 resource category may be the equivalent of NI 43-101 compliant "indicated" resource estimate. Any C2 resources are delineated by drilling and in some cases; they may be supported by underground sampling. Drill spacing and if available, underground sampling is wider and less detailed than is required to support a C1 estimate. Pending data verification, the C2 resources may support a compliant "inferred" resource estimate. The P resources are estimates of the "potential" resource of a prospect and are commonly based on limited and less detailed sampling and drilling. ValGold's management has interpreted any P resource to be what the Soviet era geologists may have considered as the potential for this particular prospect.

1.2.5 Mineral Property Option Payments Due In the Twelve-Month-Period Ended July 31, 2012

In order to maintain existing mineral property option agreements, the Company will be required to make advance royalty and/or property tax payments on claims during the year totalling an estimated \$200,000. There is one option payment of cash or payment in common shares for a total \$25,000 that was required to be issued in the twelve-month period ended July 31, 2011 on the Tower Mountain property.

1.2.6 Market Trends

The gold price averaged US \$973 in 2009, US \$1,225 in 2010, US \$1,572 in 2011 and \$1,663 to January 25, 2012

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1.3 Results of Operations

Condensed Consolidated Interim Statements of Loss

for the three months ended October 31,

(expressed in Canadian Dollars)

(Unaudited)

	October 31, 2011	October 31, 2010
Expenses		
Exploration costs <i>(Note 14)</i>	\$ 377,457	\$ 49,473
Travel and conferences	112,397	-
Salaries and benefits	105,717	63,885
Office and administration <i>(Note 8)</i>	49,966	19,900
Legal, accounting and audit	45,288	22,555
Consulting fees <i>(Note 8)</i>	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)
	(770,373)	95,777
Income (loss) before income taxes	(770,373)	95,777
Income taxes - current	-	(9,269)
- deferred income taxes	-	60,985
	\$ (770,373)	\$ 147,493
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

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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, 2010
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

Three months ended October 31, 2011, compared to three months ended October 31, 2010

ValGold has a loss of \$770,373 or \$0.02 per common share in fiscal 2012, compared to earnings of \$147,493 or \$0.00 in fiscal 2011.

During fiscal 2011, the Company recorded a gain of \$6,514,845 from the option, and subsequent sale of its Garrison Project. In fiscal 2011 the Company sold 810,000 of its shares in Northern Gold for a gain on disposition of \$169,278. An additional 16,000,000 shares were acquired from the sale of the Garrison Project to Northern Gold. As at October 31, 2011 the company holds securities with a fair value of \$4,180,089. The Company also received \$325,000 from Northern Gold in fiscal 2011 from the option and sale of the Garrison Project and a promissory note for \$325,000 which was paid on August 13, 2011 (received).

Office and administration costs increased from \$19,990 in fiscal 2011 to \$49,966 in fiscal 2012. The office and administration costs include rent, shared office services and other costs. The Company shares services on a full cost recovery basis including rent, certain accounting and administrative salaries and overhead with three other public companies. Quorum Management and Administrative Services Inc. (“Quorum”), a private company held jointly by the Company and two other public companies, provides services to these public entities currently sharing office space and other services with the Company. The companies each hold a one-third interest in Quorum and also have certain common directors and are related parties of ValGold. The expense increased compared with the previous period as a result of various fluctuations in other direct costs as a result of sharing of office space.

Legal, accounting and audit expenses increased from \$22,555 in fiscal 2011 to \$45,288 in fiscal 2012. The increase is attributable to year end 2011 audit fees incurred for more than was accrued as well as the expense in Q1 2012 for consulting fees in connection with the adoption of International Financial Reporting Standards (“IFRS”).

Consulting fees for fiscal 2012 increased from \$7,500 in fiscal 2011 to \$34,500 in fiscal 2012. Fees of \$7,500 (2011-\$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. In addition the Company paid \$9,000 (2011 – Nil) to Kent Avenue Consulting Ltd. For period ended October 31, 2011. Consulting fees of \$18,000 (2011 – Nil) were also paid to 759924 Ontario Ltd., a private company controlled by the Chief Financial Officer of the Company.

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Salaries and benefits increased from \$63,885 in fiscal 2011 compared to \$105,717 in fiscal 2012. Salaries and benefits are primarily paid by Quorum.

Shareholder communications have increased from \$4,931 in fiscal 2011 to \$31,115 in fiscal 2012. Shareholder activities consist of website maintenance, transfer agency fees, shareholder inquiries and all costs associated with timely disclosure of information, and had virtually been curtailed in fiscal 2011 other than for statutory requirements and maintenance costs.

Exploration expenses of \$377,457 were incurred in fiscal 2012, compared with \$49,473 in fiscal 2011, primarily as a result of property investigations in the Ukraine and resuming activity on the Company's Tower Mountain Project. On September 15, 2011 the Company entered into an agreement to acquire a 75% interest in a private Ukrainian company, Klinservis – Centre 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"). As part of its due diligence process the Company has engaged qualified geologists to review all available historical mineral as well as mining data pertaining to the properties under investigation. Other cost incurred include title investigation costs, professional and consulting fees as well as travel and accommodation costs.

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1.4 Summary of Quarterly Results (unaudited)

The tables below provide for each of the most recent eight quarters, a summary of exploration costs on a project-by-project basis, and a table of corporate expenses (all presented under Canadian GAAP with the exception of first quarter fiscal 2012 which is presented under IFRS):

	Tower Mountain Ontario	Manitoba Claims, Manitoba	Garrison Property, Ontario	Muzhievo Properties, Ukraine	Guyana Properties, Guyana	Venezuela Properties Venezuela
Fiscal 2010						
First Quarter	625	--	908	--	--	175,398
Second Quarter	625	63	4,365	--	--	(78,731)
Fourth Quarter	20,277	--	909	--	--	68,191
Fiscal 2011						
First Quarter	726	--	868	--	--	47,879
Second Quarter	66,903	--	909	--	--	51,784
Third Quarter	242,115	--	908	--	--	(7,547)
Fourth Quarter	346,180	--	(50)	1,230,143	(210,510)	313,461
Fiscal 2012						
First Quarter	137,767	--	--	146,775	--	92,915

	Loss (earnings) per quarter (restated)	Basic loss per share	General and adminis- trative expenses	(Gain) loss on investments, interest and other	Mineral property and other write- downs (recovery)	Exploration costs	Stock- based compen- sation
Fiscal 2010							
First Quarter	258,987	(0.01)	115,833	23,235	(57,012)	176,931	--
Second Quarter	11,964	(0.00)	171,043	(78,815)	--	(80,264)	--
Third Quarter	187,185	(0.01)	163,655	--	--	23,530	--
Fourth Quarter	1,784,464	(0.07)	100,662	(260)	1,322,557	89,477	307,903
Fiscal 2011							
First Quarter	(147,493)	0.01	117,325	(62,575)	(200,000)	49,473	--
Second Quarter	181,850	(0.01)	154,714	(99,977)	--	119,596	--
Third Quarter	(639,590)	(0.02)	540,065	-	--	235,476	136,008
Fourth Quarter	(3,326,307)	(0.10)	1,336,543	(6,726)	(5,969,800)	1,679,224	(20,503)
Fiscal 2012							
First Quarter	(770,373)	(0.02)	380,943	(5,894)	17,867	377,457	--

1.5 Liquidity

Historically, the Company's sole source of funding was the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions. The Company has issued common shares in each of the past few years, pursuant to private placement financings and the exercise of warrants and options.

The current market conditions, the challenging funding environment and the low price of ValGold's common shares make it difficult to raise funds by private placements of shares. Therefore the Company has relied on its ability to market its projects and the sale of shares of Northern Gold to raise cash in order to remain solvent, in addition to limited private placements that will be necessary to provide working

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capital. There is no assurance that the Company will be successful with any financing ventures. Please refer to the “Financial Instruments and Risk Management” section of this document.

At October 31, 2011, the Company had a working capital surplus of \$3,501,701 compared to a working capital deficiency of \$219,168 at October 31, 2010, defined as current assets less current liabilities. The Company’s liabilities include amounts due to related parties of \$97,052 and other accounts payable and accrued liabilities of \$804,497. Accounts payable includes accruals of property taxes relating to its mineral property interests in Venezuela.

The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. There is no assurance that the Company will be successful with any financing ventures. Management believes that cash raised from its sale of its Garrison Project will be sufficient to meet its current committed property costs as well as administrative expenses for the year.

The continuation of the Company is also dependent upon the continuing financial support of shareholders and obtaining financing to continue exploration of its mineral property interests. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of assets as in the case of the sale of the Garrison properties, 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.

In fiscal 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 converted to 6,000,000 units comprised of one common share and one share purchase warrant, immediately upon closing. The share consolidation became effective March 1, 2010.

Each unit consists of one consolidated common share and one non-transferable purchase warrant exercisable to purchase one additional consolidated 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.

Finders’ fees of \$4,250 were paid and 25,000 finders’ warrants paid as 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 Black Scholes calculation with a volatility factor of 75% to 125% and a risk-free rate of 1% ranges from \$0.01 to \$0.02 per warrant.

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In December, 2010 the Company completed a non-brokered private placement of 2,551,000 flow-through units at a price of \$0.30 per unit for gross proceeds of \$765,300. Each unit consisted 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. 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.

The proceeds of \$765,300 from the private placement of flow-through shares are to be expended on exploration in Canada, of which all has been expended to October 31, 2011.

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.

Investing Activities

At October 31, 2011, and at July 31, 2010, the Company had capitalized \$368,153 in mineral property acquisition costs, representing costs associated with the acquisition of its mineral property interests in Ontario on its mineral property interests.

See the mineral property section for information on exploration work during the period and other information on the Company's mineral property interests.

1.6 Capital Resources

During the three months ended October 31, 2011 the Company sold 985,000 common shares of Northern Gold, for proceeds of \$330,166. Subsequent to this date and up to January 25, 2012, a further 5,532,500 common shares of Northern Gold were sold for additional proceeds of \$1,115,579. As at January 25, 2012 the Company holds a balance of 10,860,000 common shares of Northern Gold with a market value of \$2,606,400 based on the closing price of \$0.24.

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Going Concern

At October 31, 2011, the Company has had a working capital surplus of \$3,501,701. It is estimated that it may require approximately \$1.75 million in total working capital to continue to operate the Company and pay the liabilities of the Company, including all accrued liabilities, maintain mineral property interests in Canada and Venezuela, for the next year. 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 in the near term, but this cannot be assured. The ability to raise working capital directly impacts the ability of the Company to undertake any planned exploration programs. Currently sufficient work has been undertaken on all of its current mineral property interests for several years, but if the Company is unable to perform sufficient exploration work in future years or with exploration partners, it may be necessary to write-down additional mineral property interests in future periods.

The Company's exploration activities and its potential mining and processing operations are subject to various laws governing land use, the protection of the environment, prospecting, development, production, contractor availability, commodity prices, exports, taxes, labour standards, occupational safety and health, waste disposal, toxic substances, mine safety and other matters. ValGold believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. There is no assurance that the Company will be able to obtain all permits required for exploration, any future development and construction of mining facilities and conduct of mining operations on reasonable terms or that new legislation or modifications to existing legislation, would not have an adverse effect on any exploration or mining project which the Company might undertake.

The Company has been performing reclamation activities on an on-going basis. As such, management feels that there is no significant reclamation liability outstanding on properties owned by the Company.

The low price of ValGold's common shares can limit its ability to raise capital by issuing shares. There are several reasons for these effects. First, the internal policies of certain institutional investors prohibit the purchase of low-priced stocks. Second, many brokerage houses do not permit low-priced stocks to be used as collateral for margin accounts or to be purchased on margin. Third, some brokerage house policies and practices tend to discourage individual brokers from dealing in low-priced stocks. Broker's commissions on low-priced stocks usually represent a higher percentage of the stock price than commissions on higher priced stocks. As a result, ValGold's shareholders pay transaction costs that are a higher percentage of their total share value than if ValGold's share price were substantially higher.

The Company's ability to continue as a going concern continues to be contingent on its ability to obtain additional financing. Financial equity market conditions, an inhospitable funding environment and a low price for a Company's common shares often make it difficult to raise funds by private placements of shares. The junior resource industry has been severely adversely affected by the world economic situation, as it is considered to be a high-risk investment. While the Company is expending its best efforts to achieve its plans by examining various financing alternatives including reorganizations, mergers, sales of assets, and settlement of debts by share issuances, or other forms of equity financing, there is no assurance that any such activity will generate funds that will be available for operations.

At October 31, 2011, the Company held 16,392,500 common shares of Northern Gold which may be sold to provide working capital to the Company if required. During the period to the date of this interim report, the Company has sold 985,000 common shares of Northern Gold, for proceeds of \$330,166. At January 20, 2012, the common shares of Northern Gold had a closing market price of \$0.19. If this market price continues to remain at this level, the quoted closing price could provide the Company with additional working capital of approximately \$3,013,400 less costs of disposition.

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On May 13, 2011 the Company closed a sales agreement with Northern Gold Mining Inc. (“Northern Gold”) of the Garrison Gold Property (“Garrison Property”) located in north eastern Ontario. Under the terms of the sales agreement Northern Gold has purchased the Company’s 100% interest in the Garrison Property. 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”) 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 at any time 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.

The amounts shown as mineral properties and related deferred costs represent 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 properties 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.

Outlook

Over the reporting period, shares of junior Canadian mineral exploration companies have commonly experienced substantial volatility, often based on factors unrelated to their financial performance or the prospects of the companies involved. Global economic issues such as the US- and European-focused financial crises culminating in deep recession have impacted and altered market perceptions of the attractiveness of the junior exploration sector. These factors have affected the ability of the many junior exploration companies to obtain any significant equity or debt financing. If these increased levels of volatility and market turmoil continue without change, the ValGold’s operations could be adversely affected and the value and the price of the common shares may be negatively driven.

ValGold has so far survived the worst of the recession. However we have witnessed a weakening in the market for ValGold’s shares in terms of both price and trading volumes. The most likely reason for this turnaround is a general negative change in sentiment driven by the above mentioned financial crises despite the continuing upward trend in the spot and futures prices for gold, silver and base metals. Management is of the opinion that this upward price trend for metals is likely to continue and in order to capitalize on it, is planning to focus on managing costs; improving shareholder communications; optioning its mineral properties and seeking valuable projects to acquire.

ValGold has an ongoing exploration program on its Tower Mountain property. During the calendar year of 2011, the exploration work was funded with the proceeds from the private placement financing completed in November and December 2010. Most recently, ValGold has completed geophysical surveys over the property to complement the last diamond drilling program. Over the next period, the Company is expecting a report of the findings the last program work from its geological consultants and the report should contain a recommended program and budget that will be reviewed and acted upon by management.

In addition to the continuing work on Tower Mountain, ValGold is on the constant lookout for new opportunities. ValGold’s objective is to acquire properties with exceptional unrecognized potential. With our proven record of well-focused exploration, ValGold has been successful in taking on projects and

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materially improving their value, and our recent investigations have revealed a number of excellent prospects that we believe could represent production opportunities for our Company. In keeping with this philosophy, ValGold has entered into an agreement to acquire the advanced MBK project in the Ukraine. This project is subject to the receipt of a mining license covering the project area that may be delivered to ValGold in the spring of 2012.

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1.7 Off-Balance Sheet Arrangements

None.

1.8 Transactions with Related Parties

Services provided by:	Three months ended October 31,	
	2011	2010
Quorum Management and Administrative Services Inc. (a)	\$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,	July 31,
	2011	2010
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.

(b) Consulting fees of \$7,500 (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.

1.9 Fourth Quarter Results

Not applicable.

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1.10 Proposed Transactions

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”). During the period the Company expended \$146,775 on property investigations related to this project.

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 totalling US\$10.0 million in three instalments as follows:

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

There are no other proposed asset or business acquisitions or dispositions before the board of directors for consideration other than those in the ordinary course of business or as described in item 1.2 above.

At October 31, 2011, the Company was a venture issuer. Management prepares and reviews estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates may include the determination of impairment of equipment and mineral property interests, investments, reclamation obligations, rates of amortization, securities issued for non-cash consideration, allocating proceeds from issuance of units to the component securities and future income taxes. The use of such judgment includes, but is not limited to future mineral prices and project capital, and operating and reclamation costs. Actual results could differ from those estimated.

The Company’s recoverability of the recorded value of its mineral properties is based on market conditions for minerals, independent NI 43-101 reports of the underlying mineral resources associated with mineral property interests held by the Company, transactions entered into on the Tower Mountain and Garrison properties and any future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof. The Company is continually reviewing its mineral property interests and write-downs are taken on a timely basis when the Company believes that there is no recoverability of the recorded value of its mineral properties, or no further exploration activity is planned, when the mineral property interest is written down to a nominal carrying value of \$1 or written off if the mineral property interest is not in good standing.

One or more of the issues described herein, or other factors beyond our control in future periods, could adversely affect the Company’s operations and investment in Venezuela and/or Canada in the future, and result in further mineral property write-downs. Such write-down amounts could be material.

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

1.12 Transitions to International Financial Reporting Standards

Effective the first quarter of 2012, the Company began preparing its financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 13, "IFRS Transition" to the unaudited condensed consolidated interim financial statements for the three months ended October 31, 2011. This note also includes reconciliations of equity, loss and comprehensive loss for comparative periods reported under Canadian GAAP with amounts reported for those periods under IFRS.

The Company has changed certain accounting policies to be consistent with IFRS as it is expected to be effective or available on July 31, 2012, the Company's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements. The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

- 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.

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- 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.

1.13 Financial Instruments and Other Instruments

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.

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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	\$ 804,497	\$ 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.

1.14 Other MD&A Requirements

See the Company's annual audited consolidated financial statements for the years ended July 31, 2011 and 2010.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

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1.14.1 Additional Disclosure for Venture Issuers without Significant Revenue

- (a) capitalized or expensed exploration and development costs

The required disclosure is presented in the schedule of exploration expenses attached to the interim consolidated financial statements.

- (b) expensed research and development costs

Not applicable.

- (c) deferred development costs

Not applicable.

- (d) general administrative expenses

The required disclosure is presented in the Interim Consolidated Statements of Operations.

- (e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d).

None.

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1.14.2 Disclosure of Outstanding Share Data

The following details the share capital structure (post-consolidation) as of January 25, 2012 (share consolidation was effective March 1, 2010), the date of this MD&A, subject to minor accounting adjustments:

Outstanding share information at January 25, 2012

Authorized Capital

Unlimited number of common shares without par value.

Issued and Outstanding Capital

38,250,407 common shares are issued and outstanding

Stock Options Outstanding

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

Subsequent to October 31, 2011 240,000 stock options were exercised and an additional 7,000 were cancelled.

Warrants 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	

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Other Information

The President and Chief Executive Officer and the Chief Financial Officer of ValGold Resources Ltd., have reviewed the interim consolidated financial statements and interim MD&A, of ValGold Resources Ltd. (the “issuer”) for the three months ended October 31, 2011.

Based on their knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the interim filings.

Note to Reader

In contrast to the certificate required under National Instrument 52-109 *Certificate of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Approval

The Board of Directors of ValGold Resources Ltd. has approved the disclosure contained in the Interim MD&A. A copy of this Interim MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at www.sedar.com.

Caution on Forward-Looking Information

This Interim MD&A contains "forward-looking statements". These forward-looking statements are made as of the date of this Interim MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

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Forward-looking statements may include, but are not limited to, statements with respect to future remediation and reclamation activities, future mineral exploration, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, the timing of activities and the amount of estimated revenues and expenses, the success of exploration activities, permitting time lines, requirements for additional capital and sources and uses of funds.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of exploration activities; actual results of remediation and reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold and other commodities; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of exploration and development activities.