



## **ADVENTURE GOLD INC.**

(An Exploration Company)

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended

July 31, 2011

(Fourth Quarter)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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This management discussion and analysis ("MD&A") of Adventure Gold Inc., ("Adventure" or the "Company") follows rule 51-102 of the Canadian Securities Administrators regarding continuous disclosure.

The following MD&A is a narrative explanation, through the eyes of the management of Adventure, on how the Company performed during the year ended July 31, 2011. It includes a review of the Company's financial condition and a review of operations for the year ended July 31, 2011 as compared to the year ended on July 31, 2010.

This MD&A supplements the financial statements for the year ended July 31, 2011 but does not form part of them. It is intended to help the reader understand and assess the significant trends, risks and uncertainties related to the results of operations and it should be read in conjunction with the audited financial statements as at July 31, 2011. Adventure's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The shares of Adventure are listed on the TSX Venture Exchange under the symbol "AGE" since October 3, 2007.

## REPORT'S DATE

The MD&A was prepared with the information available as at November 25, 2011.

## CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document contains forward-looking statements, which reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". In the interest of providing shareholders and potential investors with information regarding Adventure, including management's assessment of future plans and operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to: volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

## APPROVAL OF FINANCIAL STATEMENTS

Prior to publication, the Board of Directors, on the recommendation of the audit committee, approved Adventure's yearly financial statements and this MD&A.

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## NATURE OF ACTIVITIES

Adventure, incorporated on February 9, 2007 under the *Canada Business Corporations Act*, is a Canadian mineral exploration company focused on discovering high-quality gold deposits, primarily in the Abitibi greenstone belt of northwestern Quebec and northeastern Ontario, one of the world's richest gold mining districts. Adventure holds quality assets in the Val-d'Or, Rouyn-Noranda, Casa Berardi, Detour Lake and Timmins areas and is led by determined management and technical teams with extensive exploration and mine production experience. The Company uses advanced exploration techniques with the aim of discovering commercially exploitable gold deposits which can either be placed into production by the Company or disposed of for a profit to companies that wish to place such deposits into commercial production. Adventure Gold is proud to already count on highly regarded gold producer partners such as Agnico-Eagle Mines and Lake Shore Gold to explore two advanced-stage gold properties.

The Company will continue to aggressively seek new opportunities in compliance with the corporate strategy. A strategy based on identification, evaluation, acquisition, exploration and development of significant quality gold assets within proven gold mining environments.

## EXPLORATION HIGHLIGHTS

- ***New significant gold discovery west of the former Beliveau Mine on Pascalis-Colombière***

On the Val-d'Or East – Pascalis-Colombière property, two phases of drilling around the former L.C. Beliveau Gold Mine totalling 7,934 metres in twenty-five (25) holes were completed by the end of September 2011. Positive drilling results (12.9 g/t Au over 8 metres, 34.6 g/t Au over 2.9 metres, 10.7 g/t Au over 6.3 metres, 6.1 g/t Au over 7.0 metres and 2.7 g/t Au over 65.1 metres) were announced from March to November 2011 (see also subsequent events in this report). This new significant gold discovery is located west of the Beliveau Mine and may be accessible using existing underground infrastructure or by open pit. The Company is now planning an aggressive Phase 3 exploration drilling program to test the lateral extensions of this discovery, which should be completed during the second quarter of 2012.

- ***Drilling on Lapaska with Mazorro Resources highlights the bulk tonnage potential***

On April 18, 2011, the Company and its partner, Mazorro Resources, started a first phase drilling program totalling 3,000 metres in six (6) holes designed to test the extensions of the Lapaska Central Zone ("LC Zone") laterally and at depth. Positive drilling results were released in June and July. Best drilling intersections yielded values of 1.0 g/t Au over 103.4 metres, including a section grading 10.3 g/t Au over 3.8 metres; and 1.2 g/t Au over 156.9 metres, including sections grading 5.8 g/t Au over 3.9 metres and 4.7 g/t Au over 7.1 metres. A second phase of drilling totalling 4,000 metres started in October 2011.

- ***First drilling program on Dubuisson by Agnico-Eagle identifies new gold intercepts along the west down-plunge extension of the Quebec Explorers Gold Deposit***

Our partner, Agnico-Eagle completed a twelve-hole surface diamond drilling program totalling 4,536 metres on the Dubuisson JV property. The drilling tested the Quebec Explorers Deposit over 600 metres strike length and up to 350 metres depth. Best drilling intersections announced in October 2011, yielded values of 4.8 g/t Au over 6.0 metres in the western extension and 4.3 g/t Au over 4.4 metres in the eastern extension. The exploration drilling budget for 2012 should be presented later this fall.

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- ***Deep drill hole on Meunier-144 is reaching the target zone after 15 months of drilling***

On the Timmins West – Meunier-144 property, the Company's partners RT Minerals and Lake Shore Gold continued the deep drilling program started on July 19, 2010 and 3,100 metres were completed by November 30, 2011. The deep master hole is continuing and on track to reach the drilling target.

- ***Geophysics on Detour Quebec and Casa Cameron properties outline drill targets***

During the last year, on the Casa Cameron Project, the Company completed 119 km of line cutting and magnetic surveying on the Casagasic (58 km) and Bell-Vezza (61 km) properties. On the Detour Quebec Project, the Company completed 123 km of line cutting and magnetic surveying on the Massicotte (23 km), Casgrain (70 km) and Nantel (30 km) properties and 67 km of IP surveying on the Casgrain property. Those surveys outlined many quality drill targets that need to be tested.

#### **BUSINESS DEVELOPMENT HIGHLIGHTS**

- ***Acquisition of the Granada property***

On September 27, 2010, the Company announced the acquisition of the Granada Extension property, consisting of 11 mining titles covering approximately 200 hectares along the Cadillac–Larder Lake Gold Break in Rouyn-Noranda, Quebec. Three of the eleven mining titles were bought from two individuals in consideration of cash payments totalling \$50,000 over 4 years, 150,000 common shares and 150,000 warrants at an exercise price of \$0.25. The vendors retain a 1.5% NSR of which 0.5% may be bought back for \$500,000.

- ***Appointment of Michael Williams to the Board of Directors***

On November 5, 2010, the Company appointed Mr. Michael Williams to the Board. Mr. Williams is currently President, Director and founder of Full Metal Minerals, a TSX Venture Exchange listed company (FMM: TSX-V). Mr. Williams currently oversees the company's corporate development, strategic and operational planning, marketing and financing. Mr. Williams has significant contacts with both retail and institutional investors and has an extensive investment banking network. He has been directly involved in the mineral exploration business for the past 15 years and was the Chairman and founder of Underworld Resources Ltd. Underworld was recently purchased for \$140 million by Kinross Gold Corporation. Mr. Williams also serves as a Director of several Canadian publicly-traded mining exploration companies. He was previously Vice President of Atna Resources Ltd, a Toronto Stock Exchange listed company, where he developed and implemented the company's communication and investor relations programs from 1996 through to 2004. Previous to joining Atna Resources, Mr. Williams provided public relations counsel to various sectors including: mining, manufacturing, financial services, hospitality, tourism, and government.

- ***Appointment of Robert Boisjoli to the position of CFO***

On December 8, 2010, the Company appointed Robert Boisjoli to the position of Chief Financial Officer of the Company. Mr. Boisjoli is a Fellow Chartered Accountant (FCA) and a Chartered Business Valuator (CBV), and holds a Bachelor of Commerce and Diploma in Accounting from Concordia University (Montreal). Mr. Boisjoli is currently Managing Director at Atwater Financial Group and Chief Financial Officer of Brionor Resources Inc. (BNR: TSX-V). Mr. Boisjoli is also Director and audit committee chairman of both Aptilon Corporation (APZ: TSX-V), a customer relationship manager for the pharmaceutical industry, and Mitec Telecom Inc. (MTM: TSX), a designer and manufacturer of wireless and satellite components. He previously held the position of Chief Financial Officer of both Topigen Pharmaceuticals and Xanthus Pharmaceuticals Inc., a Boston-based biotechnology firm, of which he is a co-founder. He was also an investment banker with various Canadian securities firms and

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contributed to the creation of a mutual fund in the Quebec market. His appointment follows the departure of Ms. Khadija Abounaim who was the CFO of the Company since November 3, 2008.

- ***Option on the Lapaska property***

On December 15, 2010, Adventure Gold concluded a partnership with Mazorro Resources (MZO: TSX-V) ("Mazorro") in order to explore the Lapaska Gold property located in the Val-d'Or East area. Mazorro acquired an exclusive option to earn up to 70 percent interest in 26 claims covering an area of approximately 352 hectares of the Company's Lapaska Gold property by spending \$7.7M in exploration work, issuing 3,000,000 shares of Mazorro, making a cash payment of \$250,000, and paying \$2,000,000 (in cash and shares) over the next 6 years. Adventure Gold will be the operator until Mazorro earns the 70% interest.

- ***Sale of the Bourniol property***

On December 16, 2010, the Company announced the sale of a block of 12 claims known as the Adventure Gold Bourniol property, located in the Noranda mining camp, to Société d'exploration minière Vior inc. (VIO: TSX-V; VL5: FRANKFURT) for a cash payment of \$7,500. Adventure Gold retains a 2.0% NSR, half of which (1.0%) may be bought back for \$1,000,000 at any time. A final agreement was signed in February 2011.

- ***Option on the Dalquier property***

On June 23, 2011, the Company announced the signing of an option agreement relating to the Dalquier property. The property is located in the south-central segment of the prolific Archean Abitibi Greenstone Belt of Quebec less than 4 kilometres north of the town of Amos, Quebec. The property comprises a total of 85 claims covering an area of 3,500 hectares. Under the terms of the agreement, Mazorro may acquire up to 100% of Adventure Gold's right, title and interest in the Dalquier property. Mazorro is required to provide total cash payments of \$300,000, a total of 2,000,000 common shares and has committed to spend \$2,000,000 in exploration work over a period of five years from the date of the option agreement. The Company performed a high-definition airborne magnetic survey on the property in June. Results and a report are expected later this year.

- ***Significant exercise of warrants, agent options and stock options***

During the year ended July 31, 2011, 6,072,428 warrants, 130,000 stock options and 589,285 agent options were exercised for gross proceeds of \$1,236,983, \$27,325 and \$104,106 respectively.

In October and November 2011, a total of 3,384,522 warrants were exercised for gross proceeds of \$539,489 and a total of 115,000 stock options were exercised for gross proceeds of \$18,350.

## **EXPLORATION ACTIVITIES**

### **Projects, New Acquisition**

The Company continued its 2010-2011 exploration program mainly in Val d'Or and Timmins areas which consisted mostly in drilling, prospecting, mechanical stripping, geological modelling and compilation. During the year ended July 31, 2011, the Company incurred deferred exploration expenses of \$1,622,613 (before deduction of mining rights and tax credits; \$883,815 for the year ended July 31, 2010) of which approximately 52% of the total was spent on the Val d'Or East Project (Pascalis-Colombière, Beaufor West & North and Senore properties), 20% on the Detour Quebec properties and 11% on the Casa Cameron properties.

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As of July 31, 2011, the Company held a portfolio of 31 properties totalling 1,189 mining titles covering 57,134 hectares in six distinct areas, in the province of Quebec and in one other area in Ontario. Gold mining exploration properties owned by the Company are located in the Val-d'Or, Timmins, Casa Berardi – Cameron, Detour Lake, Rouyn-Noranda regions and the Appalachian belt (southeastern Quebec). During the first quarter ended October 31, 2010, the Company acquired the Granada Extension property, located in the Rouyn-Noranda mining camp. This property covering 232 hectares was acquired by map-designating 8 claims and by optioning three other claims. In addition, the Company increased the size of the Sicotte, Sinclair-Bruneau, Megiscane-Tavernier, St-Francois and Stoke properties by adding 106 new mining titles covering 5,615 hectares. During the second quarter ended January 31, 2011, there were no changes in our portfolio of properties. During the third quarter ended April 30, 2011, the Company acquired 100% of the rights on four (4) new mining claims totalling 83 hectares in the Detour Quebec Project from Sementiou Inc in consideration of a cash payment of \$1,600. During the same period, three (3) claims (the Evain property) were abandoned. During the fourth quarter ended July 31, 2011, the Company acquired by ground staking 37 new mining claims totalling 589 hectares in the Casa Cameron Project. During the same period, 20 new claims were acquired by map staking: eight (8) on Casgrain, seven (7) on Cere, three (3) on Florence and two (2) on Megiscane-Tavernier.

During the three-month period ended July 31, 2011, the Company incurred deferred exploration expenditures of \$582,188 of which approximately 63% was spent on Val d'Or East Pascalis-Colombière, 13% on Detour Quebec, 12% on Casa Cameron and 2% on Granada properties.

In addition, during the year ended July 31, 2011, the Company incurred deferred exploration expenditures of \$462,862 on Lapaska of which \$459,538 was invoiced to Mazorro Resources Inc. as part of the option and operator agreement signed during the fiscal year 2011.

**Deferred Exploration Expenses**  
For the year ended July 31, 2011

	Timmins West / Meunier - 144	Val d'Or East / Pascalis-Colombière	Val d'Or East / Senore	Val d'Or East / Beaufor North	Val d'Or East / Beaufor West	Val d'Or East / Lapaska	Val d'Or East / Others	Dubuisson	Detour Quebec	Casa Cameron	Appalaches	Granada Extension	Abitibi Gold	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	-	545,533	642,799	177,328	173,003	837,505	38,651	-	132,822	206,432	3,376	-	28,880	2,786,329
<b>Add:</b>														
Drilling	-	632,375	-	-	-	465	-	-	-	1,371	-	36,915	-	671,126
Project consulting	2,190	43,657	1,627	193	832	1,375	9,729	2,865	19,142	16,291	5,007	34,947	3,650	141,505
Geophysical survey	-	-	-	-	-	-	52,019	-	265,070	101,682	-	-	28,602	447,373
Geological survey	325	139,689	336	-	-	-	7,464	2,017	27,419	23,141	13,374	47,741	3,697	265,203
Environment	-	19	-	-	-	-	-	-	19	19	-	64	-	121
Staking	-	-	-	-	-	-	685	-	3,693	24,832	3,978	2,851	30	36,069
Renewal of licences	-	1,520	208	122	177	56	452	71	5,331	6,007	514	43	5,903	20,404
General field expenses	-	20,157	378	198	-	-	925	-	7,859	5,197	-	6,098	-	40,812
	2,515	837,417	2,549	513	1,009	1,896	71,274	4,953	328,533	178,540	22,873	128,659	41,882	1,622,613
<b>Deductions</b>														
Option payments received	-	-	-	-	-	(202,018)	-	-	-	-	-	-	(6,968)	(208,986)
Gain on optioning of mining properties	-	-	-	-	-	-	-	-	-	-	-	-	32	32
Tax credits and mining duties	-	(356,345)	(998)	(167)	(354)	(784)	(29,899)	(2,081)	(136,207)	(62,966)	(7,836)	(53,614)	(15,326)	(666,577)
Write-downs	-	-	-	-	-	-	(89)	-	(146)	-	-	-	(252)	(487)
	-	(356,345)	(998)	(167)	(354)	(202,802)	(29,988)	(2,081)	(136,353)	(62,966)	(7,836)	(53,614)	(22,514)	(876,018)
<b>Balance, end of year</b>	2,515	1,026,605	644,350	177,674	173,658	636,599	79,937	2,872	325,002	322,006	18,413	75,045	48,248	3,532,924

**Deferred Exploration Expenses**  
For the year ended July 31, 2010

	Timmins West / Meunier - 144	Val d'Or East / Pascalis-Colombière	Val d'Or East / Senore	Val d'Or East / Beaufor North	Val d'Or East / Beaufor West	Val d'Or East / Lapaska	Val d'Or East / Others	Dubuisson	Detour Quebec	Casa Cameron	Appalaches	Granada Extension	Abitibi Gold	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	156,571	378,177	636,418	175,360	170,778	779,676	11,389	132,768	7,469	14,586	-	-	3,884	2,467,076
<b>Add:</b>														
Drilling	900	97,454	(45)	-	-	879	-	324	-	117,658	-	-	-	217,170
Project consulting	15,400	39,714	3,765	1,557	2,820	20,857	25,037	49,091	77,935	117,962	4,595	-	21,391	380,124
Geophysical survey	-	-	-	-	-	-	12,650	-	92,028	23,688	-	-	-	128,366
Geological survey	-	23,148	1,684	-	-	33,948	173	17	5,355	18,417	629	-	9,634	93,005
Geochemical survey	-	137	-	-	-	-	-	-	-	1,773	-	-	1,898	3,808
Renewal of licences	2,053	1,225	931	74	21	1,057	1,318	1,278	4,822	6,509	-	-	1,860	21,148
General field expenses	2,354	10,941	134	337	-	2,312	558	5,997	2,741	10,909	500	-	3,411	40,194
	20,707	172,619	6,469	1,968	2,841	59,053	39,736	56,707	182,881	296,916	5,724	-	38,194	883,815
<b>Deductions</b>														
Option payments received	(315,000)	-	-	-	-	-	-	(651,608)	-	-	-	-	-	(966,608)
Gain on optioning of mining properties	114,958	-	-	-	-	-	-	465,265	-	-	-	-	-	580,223
Tax credits and mining duties	-	(5,263)	(88)	-	(616)	(1,224)	(9,747)	(3,132)	(57,528)	(105,070)	(2,348)	-	(7,959)	(192,975)
Write-downs	-	-	-	-	-	-	(2,727)	-	-	-	-	-	(5,239)	(7,966)
Other	22,764	-	-	-	-	-	-	-	-	-	-	-	-	22,764
	(177,278)	(5,263)	(88)	-	(616)	(1,224)	(12,474)	(189,475)	(57,528)	(105,070)	(2,348)	-	(13,198)	(564,562)
<b>Balance, end of year</b>	-	545,533	642,799	177,328	173,003	837,505	38,651	-	132,822	206,432	3,376	-	28,880	2,786,329

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## Val-d'Or East – Pascalis-Colombière

The 100%-owned Val-d'Or East – Pascalis-Colombière property consists of 33 mining titles totalling 637 hectares. It is located in the eastern portion of the Val-d'Or–Malartic gold district. The property is also adjacent to the Company's 100%-owned Beaufor North property, located 1.5 km east of the producing Beaufor Gold Mine held by Richmond Mines (RIC: TSX). The property was the site of gold production from 1989 to 1993 when Cambior Inc. (currently IAMGOLD Corporation (IMG: TSX)) mined the New Pascalis gold deposit (Lucien C. Beliveau Mine). A total of 1.8 Mt of ore was extracted at a grade of 3.2 g Au/t, from the surface to 300 metres depth (167,000 Au oz produced: Cambior 1996 post-mortem production report).

The geological setting of the property appears very favourable for the identification of new high-grade gold-bearing veins and structures or bulk-style ore shoots. Past exploration work did not entirely test the numerous gold occurrences located in the N-S extensions of the former Beliveau Mine associated with the main dyke set, in other parallel dykes, or along the extensions of ENE-trending shear zones. Due to the anticipated closure of the mine in January 1993, there was no follow-up on several drill intercepts with economic gold values. No further exploration work was completed on the property between 1993 and mid-2008 when the Company acquired the property.

Following very positive exploration results in 2009 and 2010 and a new intensive geological compilation, data integration and 3D modeling completed early in 2011, the Company started its Phase I drilling program totalling 2,790 metres in nine (9) holes in the winter and spring of 2011, around the former Beliveau Gold Mine. The drill program was aimed at finding new gold zones near existing underground infrastructure, mainly west of the Beliveau Mine. All nine holes drilled in this area intersected significant gold mineralization:

- Hole PC-10-13: 9.7 grams per tonne gold (g/t Au) over 2.1 metres included in a section grading 4.0 g/t Au over 5.3 metres at 38.4 metres depth; 34.6 g/t Au over 2.9 metres, included in a section grading **5.4 g/t Au over 20 metres** at 143.1 metres depth;
- Hole PC-10-14: **7.0 g/t Au over 4.8 metres** included in a section grading 2.0 g/t Au over 24.9 metres at 278.4 metres depth;
- Hole PC-11-15: 8.4 g/t Au over 1 metre at 750 metres depth included in a section grading **3.4 g/t Au over 3.2 metres** (this hole did not intersect the entire gold system at depth and was deepened in Phase 2 drilling);
- Hole PC-11-16: 8.3 g/t Au over 3.0 metres included in a section grading **5.5 g/t Au over 5.9 metres** at 130 metres depth;
- Hole PC-11-17: 5.7 g/t Au over 4.3 metres at 6 metres depth, 4.6 g/t Au over 5.7 metres at 29 metres depth, **12.9 g/t Au over 8 metres** at 158 metres depth and 5.0 g/t Au over 6.1 metres at 187 metres depth;
- Hole PC-11-18: **8.6 g/t Au over 4.7 metres** at 32 metres depth, included in a section grading 3.2 g/t Au over 13.5 metres, within a gold halo of 0.8 g/t over 116.5 metres;
- Hole PC-11-19: **4.8 g/t Au over 3.4 metres** at 159 metres depth, included in a section grading 1.8 g/t Au over 19 metres, within a gold halo of 0.6 g/t over 102.2 metres;
- Hole PC-11-20: 10.7 g/t Au over 6.3 metres and 8 g/t Au over 8.3 metres, included in a section grading **4.8 g/t Au over 33.1 metres** at 116 metres depth, within a gold halo of 1.4 g/t over 129.3 metres;
- Hole PC-11-21: **3 g/t Au over 8 metres** at 131 metres depth included in a section grading 1.1 g/t Au over 32 metres, within a gold halo of 0.8 g/t over 111.5 metres.

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Two sets of gold structures were intersected in the Beliveau West Area (BWA) during the winter-spring drilling program. Stacked quartz-tourmaline veins, shallowly dipping to the south, were found inside two diorite dykes similar to the one at the Beliveau Mine. The dykes, ranging from 5 to 8 metres in thickness, are dipping vertically and can be traced over at least 300 metres following an orientation of N345. The mineralization is still open at depth and along strike. Between the diorite dykes, a set of ENE-trending gold structures, dipping to the south at around 30°, were also intersected. This second type of mineralization consists of a quartz-tourmaline veining system developed within a large sericite-carbonate-albite alteration halo. Veins and host rocks are mineralized with disseminated sulphides. Locally, up to 15% sulphides are observed. Visible gold was also observed in some sections. At least 7 ENE-trending gold structures have been intersected. These structures are still open to the south and to the west. Extensions to the east are limited by the Beliveau diorite dyke and unknown north of a late fault cross-cutting the mineralization in the northernmost drilled area. Most of the veins were cut at a strong angle with the core axis, which means that the core lengths announced may be close to true thicknesses.

The Company believes there is strong potential to increase the last gold resource calculation published for the Beliveau Mine (23,500 ounces of gold remaining in the main gold zone; Cambior, 1993 - not compliant with NI 43-101 and not reviewed by the Company). A plan view, sections and 3D models are available on AGE's website at [www.adventure-gold.com](http://www.adventure-gold.com). The figures show the strong exploration potential remaining along the Pascalis gold trend.

A Phase 2 drilling program of 5,144 metres was started on June 2, 2011 and completed in September (see results in subsequent events). The objectives of this second phase of drilling were to confirm the new geological model, to extend ENE-trending shallow-dipping gold structures to the south and to the north in the BWA and to test the deep extension (up to 900 metres depth) of the former Beliveau Mine gold system.

Starting in late July, prospecting and mechanical stripping were carried out north of the Highway gold zone and south of the Pascale showing in order to extend the Pascalis gold trend over a strike length of more than 2.5 kilometres. Fieldwork succeeded in identifying new mineralized structures and defining new drill targets and now suggests that the gold system remains open to exploration to the north and south (see results in subsequent events).

The Company intends to start a Phase 3 drilling program as soon as the ground is frozen. Once the Phase 3 drilling program has been completed, a NI 43-101 compliant resource estimate and technical report will be started. The resource estimate should be released around the middle of 2012. SGS Geostat, a consulting firm based in Blainville, Quebec, has already started the data integration in 2011.

### **Subsequent events / Pascalis-Colombière**

The Company completed the Phase 2 diamond drilling program totalling 5,144 metres in 16 holes and released a first set of results on September 13, 2011 (see press release entitled "*Adventure Gold Discovers Beliveau Gold Mine Extensions to 900 Metres Depth*"). Preliminary results come from four holes that were deepened (PC-11-15, 17, 19 and 20) and two holes (PC-11-15A and 22) that were drilled to test targets at depth, below and west of the past-producing Beliveau Mine. The best gold intersections, in core length, are as follows:

- Hole PC-11-15A testing the Beliveau Main gold system at depth: **7.1 g/t Au over 4.3 metres** included in a section grading 1.6 g/t Au over 34.8 metres at 810 metres depth along the hole;
- Holes PC-11-17 extension and PC-11-22 testing the Beliveau West gold system at depth: **4.5 g/t Au over 9.3 metres** included in a section grading 1.9 g/t Au over 23.5 metres at 416 metres depth and 5.2 g/t Au over 3.7 metres included in a section grading 1.8 g/t Au over 14.3 metres at 423 metres depth along the hole;

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- Holes PC-11-19 and 20 extension testing for new ENE-trending gold structures up to 550 metres depth: **4.1 g/t Au over 5.8 metres**, 4.7 g/t Au over 3.0 metres, 4.3 g/t Au over 3.0 metres and 3.1 g/t Au over 6.8 metres.

The Company completed an exploration program involving prospecting, mechanical stripping and channel sampling early in the fall and released, first, the grab sample results on October 26, 2011 (see press release entitled "*Adventure Gold Discovers High-Grade Gold-Copper-Silver Mineralization on its Pascalis-Colombière Property*"). Grab samples collected within the new mineralized zone located 1.2 km north of the Beliveau Mine returned up to 4.7 g/t gold, 11.4% copper and 112 g/t silver. A location and geological map showing the new discovery and the assay results can be found on AGE's website at [www.adventure-gold.com](http://www.adventure-gold.com). A total of 54 grab samples were collected in the field, of which 28% returned more than 0.5 g/t Au and 14% more than 1 g/t Au.

The Company then released channel sample results from this new discovery on November 2 (see press release entitled "*Adventure Gold Intersects 5.9 g/t Au, 0.4% Cu and 8 g/t Ag Over 4.4 Metres in Channel Sampling at Pascalis-Colombière Property*"). Best results coming from channel samples on the new discovery, named the Loraine Zone, returned: 5.9 g/t Au, 0.4% Cu and 8.0 g/t Ag over 4.4 metres including a section grading 8.3 g/t Au, 0.4% Cu and 9.5 g/t Ag over 3 metres. The new gold system remains open to exploration and additional work will be required to assess the lateral and depth extensions of this significant discovery. Drill targets have already been defined and will be tested during the next drilling program (Phase 3). A location map showing the channel sampling results can be found on AGE's website at [www.adventure-gold.com](http://www.adventure-gold.com). A total of 124 channel samples were collected from 14 lines across the two stripping areas.

The Company released a second set of Phase 2 diamond drilling results on November 15 (see press release entitled "*Adventure Gold Continues to Extend Beliveau West Gold Zones: 65.1 Metres at 2.7 g/t Gold and Still Open to Exploration*"). Results come from the last ten holes totalling 2,310 metres that were drilled to test the new Beliveau West gold system extensions. The best gold intersections, in core length, are as follows:

- Hole PC-11-30 testing the northernmost extension of the gold system near surface: **2.7 g/t Au over 65.1 metres**, including 8.1 g/t Au over 4.2 metres and 8.3 g/t Au over 4.5 metres;
- Hole PC-11-32 testing the northernmost extension of the gold system near surface: **1.5 g/t Au over 85.0 metres**, including 6.1 g/t Au over 7.0 metres, 5.8 g/t Au over 3 metres, 6.0 g/t Au over 3.8 metres and 5.5 g/t Au over 6.9 metres;
- Hole PC-11-24 testing the westernmost extension of the gold system: **10.9 g/t Au over 6.0 metres** and 3.6 g/t Au over 3.5 metres;
- Hole PC-11-26 testing the southernmost extension of the gold system: **3.3 g/t Au over 10.1 metres**;
- Hole PC-11-25 testing the gold system near surface: **4.6 g/t Au over 5.7 metres**.

### **Val d'Or East - Lapaska**

The Lapaska property, 100%-owned by Adventure Gold Inc., was recently optioned to Mazorro Resources in December 2010. The property is favourably located between the past producer Sigma II to the east (150,000 ounces produced at 2.5 g/t Au: 1997 Placer Dome annual report) and the Simkar gold deposit to the west (NI 43-101 inferred resource of 105,000 oz at 5.3 g/t Au: Megastar – MDV: TSX-V, September 2008). The property contains three significant gold-bearing zones: the Lapaska Central, West and Lourmet zones and is also strategically located along the prolific Cadillac-Larder Lake Gold Break, a regionally extensive structure that is spatially related to numerous gold mines.

The Company announced its first NI 43-101 compliant resource estimate for the Lapaska property on February 9, 2010 and filed a NI 43-101 technical report on SEDAR on March 19, 2010. The NI 43-101 report was prepared by independent qualified persons from InnovExplo, a consulting firm based in Val-d'Or, Quebec. InnovExplo estimated that the Central Zone deposit has inferred resources of 220,000 metric tonnes grading 3.14 g/t Au for a total of 22,197 ounces at a cut-off grade of 2.0 g/t Au. Mazorro requested that InnovExplo update this report for the purposes of the proposed transaction. Mazorro filed the updated NI 43-101 report supporting mineral resource estimates on SEDAR on February 23, 2011.

The InnovExplo technical report recommends additional drilling targeted at adding new resources to the existing mineral inventory (see Table 1 below) at the property. A 3D isometric view of the block model (see NI 43-101 report on SEDAR or at [www.adventure-gold.com](http://www.adventure-gold.com)) shows the location of the current resources and the potential to extend the latter by exploration. The ore shoots plunging to the southeast are still open at depth. Additional sub-parallel ore shoots that could be repeated in the southwestern extension at depth and along strike (east and west) near the surface are still not tested by drilling.

InnovExplo also indicates that the gold mineralization intersected in the West Zone (not included in the current mineral resource estimates) shows similarities to the gold mineralization observed generally in feldspar porphyry dykes ("G dykes") which represent a significant portion of the mineralization at the Sigma mines (4 million ounces produced). The West Zone is characterized by a series of sub-horizontal veins and veinlets bordered by vertical shear zones hosted by a G-type porphyry dyke. A drilling program to test the west down plunge of the system below 200 metres is recommended in the West Zone. A 2-kilometre-long underexplored area between the West Zone and the Lapaska Central Zone has also been highlighted in the NI 43-101 report as an area with good exploration potential for gold.

The property lies at the junction of favourable lithologies and deformation corridors associated with the Cadillac-Larder Lake Gold Break. Regional E-W-trending intermediate to felsic dyke swarms favourable to host gold mineralization are found on the property and are often associated with induced polarization (IP) anomalies. The coincidence of favourable lithologies, deformation corridors and IP anomalies represent targets that warrant additional exploration work and these will be the subject of Mazorro's initial exploration drilling plans.

Table 1: Inferred Mineral Resource for the Lapaska Central Zone, dated February 22, 2010.

Cut-off Grade g/t Au	Tonnes	Avg. Grade g/t Au	Ounces of Gold
0.5	2,144,000	1.2	79,335
1.0	865,000	1.8	50,442
2.0	220,000	3.1	22,239

Note: Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

Under the terms of the option agreement, in order to acquire an initial 50% undivided interest in the Lapaska property (the "First Option"), Mazorro is required to provide total cash payments of \$250,000, a total of 3,000,000 common shares and has committed to conduct exploration on the property for an amount of \$1,700,000 over a period of three years from the completion of a definitive option agreement.

Following the exercise of the First Option, Mazorro shall have the option to acquire an additional 20% undivided interest in the Lapaska property (the "Second Option"), thereby acquiring a total undivided interest of 70%, by making additional payments of \$2,000,000 and by conducting an additional \$6,000,000 in exploration over another three-year period. Mazorro shall have the option of paying up to 75% of the required cash payments for the Second Option in common shares at a price equal to the market price of the Company's shares on the TSX Venture Exchange (the "Exchange") on the date such payment is payable less the maximum applicable discount allowed by the policies of the

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Exchange, subject to the required regulatory and corporate approvals, including disinterested shareholder approval, as applicable. After the Second Option period and Mazorro fulfilling its contractual obligations under the agreement, Mazorro shall be entitled to become the operator of the Lapaska property.

During the third quarter, the Company started a first phase drilling program totalling 3,117 metres in six (6) holes designed to test the extensions of the Lapaska Central Zone ("LC Zone") laterally and at depth. A longitudinal section available on our website ([www.adventure-gold.com](http://www.adventure-gold.com)) shows the location of the current resources and the potential to extend these resources by exploration. The LC Zone plunges to the southeast and is still open along strike and at depth. Additional sub-parallel ore shoots and veins that could be repeated in the southwestern extension at depth and along strike (east and west) near the surface are still not tested by drilling. The first two holes of the phase 1 program were released on June 16, 2011, and the best gold intersections, in core length, yielded values of:

- Hole LP-11-16: **1.0 g/t Au over 103.4 metres**, including a section grading **10.3 g/t Au over 3.8 metres** at 69.0 metres depth, within a gold halo of 0.3 g/t Au over 564.1 metres;
- Hole LP-11-17: **1.2 g/t Au over 156.9 metres**, including a section grading 5.8 g/t Au over 3.9 metres and **4.7 g/t Au over 7.1 metres** at 52.5 and 92.5 metres depth respectively, within a gold halo of 0.8 g/t Au over 245.5 metres.

A second set of results were released on July 21, 2011. The best gold intersections, in core length, for the remaining six holes yielded the following values:

- Hole LP-11-18 returned 1.0 g/t Au over 56.0 metres, including a section grading **11.6 g/t Au over 3.3 metres**, within a gold halo of **0.5 g/t Au over 200.8 metres**.
- Hole LP-11-19 returned 1.5 g/t Au over 10.5 metres, 1.3 g/t Au over 11.5 metres and 2.6 g/t Au over 3.3 metres, within a gold halo of **0.5 g/t Au over 111.1 metres**.
- Hole LP-11-22 returned 1.0 g/t Au over 32.3 metres, including a section grading **6.8 g/t Au over 2.7 metres**, within a gold halo of **0.4 g/t Au over 101.8 metres**.

After reviewing final results, a Phase 2 diamond drilling proposal was prepared and presented to Mazorro during the summer (see subsequent events).

### **Subsequent events / Lapaska**

The Company started a second diamond drilling program on September 26, 2011 (See press release entitled "*Adventure Gold and Mazorro Resources Begin 4,000 Metre Phase 2 Drill Program on Lapaska Property, Val-d'Or East Area, Quebec*"). The second phase drill program is designed to test east-west and north-south extensions of the LC Zone, open laterally and at depth. Additional sub-parallel ore shoots and veins that could be repeated close to the LC Zone near the surface will also be drilled. In particular, magnetic signatures similar to the LC Zone that were observed within a radius of 700 metres will be tested.

### **Dubuisson**

The 49%-owned Dubuisson property is located in Dubuisson Township, about 7 kilometres west of downtown Val-d'Or. It consists of 39 contiguous claims covering a surface area of about 870 hectares. The Property is bordered to the east by the Goldex Mine property (proven & probable reserves: 1.6M ounces of gold at 2.1 g/t Au – Agnico-Eagle website) and encompasses the Quebec Explorers Gold Deposit (historical resources totalling 261,000 t at 6.6 g/t Au; from MRNF - Sigeom; non-compliant with NI 43-101 and not reviewed by AGE). This property straddles a 5-km segment of the prolific Cadillac–Larder Lake Gold Break, a major gold-bearing structure in the Abitibi. The gold system locally exceeds

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20 metres in thickness and can be traced for more than 800 metres along strike. The best reported drill intercepts are as follows: 10.3 g/t Au over 3.4 m, 13.4 g/t Au over 2.4 m, 24.2 g/t Au over 3.4 m, and 34.3 g/t Au over 4.0 m (historical drill holes - core length intersections – QEX archives on exploration work, 1983-1988).

In July 2010, the Company announced it had entered into a partnership with Agnico-Eagle Mines Ltd. (AEM: TSX) ("AEM") by signing a selling and option agreement for Adventure Gold's 100%-owned Dubuisson property. Under the terms of the agreement, AEM acquired 51% of AGE's right, title and interest in the property by paying AGE \$100,000 in cash and by issuing to AGE 15,000 shares of AEM where cash and shares totalled approximately \$1M at the then current market price.

Also under the terms of the agreement, AEM may acquire an additional interest of up to 14% of AGE's right, title and interest in the property by spending during a period of five (5) years from the effective date of the agreement up to \$4M in exploration expenditures on the property with a minimum of \$600,000 of the work to be completed or paid in cash to AGE before the end of the second anniversary of the agreement.

As part of the Agreement and following the exercise of the option, AEM may acquire an additional interest, which would bring AEM up to 70% and AGE to 30% interest in the property, by completing a bankable feasibility study. AEM will act as the operator for all exploration carried out on the property during the option period. Adventure is proud to join forces with AEM, a major gold producer in Quebec, for the development of the Dubuisson property.

During the summer of 2011, AEM completed its first diamond drilling program totalling 4,536 metres in twelve (12) holes. The drilling work tested the Quebec Explorers Deposit over 600 metres strike length and up to 350 metres depth. The mineralization consists of finely disseminated pyrite and pyrrhotite, locally arsenopyrite, within intrusive rocks. Assays were pending at the end of July. The exploration program on the property was managed by AEM and results were released in October (see subsequent events). AEM is now working on the next drilling program which will be submitted later this fall for approval.

#### **Subsequent events / Dubuisson**

On October 19, 2011, the Company released the diamond drilling results from the AEM 2011 drilling program. A geological and location map and a surface map including a composite longitudinal section of the recent drilling results can be found on AGE's website. AEM drilling identified new gold intercepts along the west down-plunge extension of the Quebec Explorers Gold Deposit. The best gold intersections, in core length, are as follows:

- Hole 160-11-01: **14.0 g/t Au over 1 metre** and 0.5 g/t Au over 46.6 metres;
- Hole 160-11-02: **4.8 g/t Au over 6 metres** and 0.5 g/t Au over 33.0 metres;
- Hole 160-11-03: **3.0 g/t Au over 5.5 metres** in an intercept grading 0.5 g/t Au over 57.7 metres;
- Hole 160-11-05: **9.7 g/t Au over 1.5 metres** and 2.8 g/t Au over 3.0 metres;
- Hole 160-11-06: **4.3 g/t Au over 4.4 metres.**

#### **Timmins West – Meunier-144**

The Meunier-144 property consists of 10 patented claims located in the western part of the prolific Timmins gold camp at the western limit of Bristol Township, 19 kilometres west of the town of Timmins.

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The property primarily covers a sequence of volcanic rocks located on the northwest side of the West Timmins sedimentary basin and along the west extension of the Bristol fault from the Timmins Mine and Thunder Creek properties where Lake Shore Gold Corp. (LSG: TSX) ("LSG") is currently developing a potential large-scale mining operation, 1 kilometre east of the property (proven and probable reserves of 812,000 ounces at 7.5 g/t Au, LSG - NI 43-101 report, October 2009). The property is also located 1 kilometre northwest, at surface, from the Rusk Zone where LSG has reported drill intersections up to 11.5 g/t Au over 147.3 metres (hole TC-09-68B, LSG press release dated March 4, 2011).

The Timmins Mine Gold Deposit has a strike length of approximately 250 metres long by 150 metres wide and defines a pipe-like body of mineralization which straddles a volcanic/sedimentary/ultramafic contact zone, within a folded sequence that plunges about 54 degrees to the west-northwest towards the Meunier-144 property. The ore body has demonstrated vertical persistence as it can be traced down plunge for a distance of approximately 1,500 metres from surface, and remains open at depth and it is apparent that this geometry and structure continue at depth toward and potentially onto the Meunier-144 property. Some of the highest value intercepts at the Timmins Mine, including 8.1 g/t over 6.0 metres at 1,330 metres depth, are hosted within a second fold nose structure and are situated approximately 600 metres east of the Meunier-144 property boundary (LSG press release dated February 18, 2010). The Thunder Creek Deposit is along the same pyroxenite and sedimentary contact which hosts the Timmins Mine Deposit. Recent drilling has traced the mineralization at Thunder Creek to a depth of approximately 1 kilometre below surface and obtained several significant intercepts, most notably 12.8 g/t over 83.5 metres and 11.5 g/t Au over 147.3 metres (LSG press release dated March 04, 2011). Observations to date indicate Thunder Creek has a steep northward plunge suggesting the potential for this to converge with the Timmins Mine Deposit at depth. Although drill data is limited, current estimates are that this convergence could occur near the northeast corner of the Meunier-144 property at a depth of 2,400 metres from surface.

The claims were originally optioned in January 2008 from 13 individuals in consideration of staged exploration expenditures (totalling \$2,000,000) and scheduled payments (totalling \$100,000 in cash and 1,000,000 common shares) over a period of five years. On May 5, 2010, the Company entered into an option agreement with RT Minerals Corp (RTMFF: OTC) ("RTM") and LSG by which RTM may acquire up to 50% interest in the Meunier-144 property by making a \$300,000 cash payment, issuing 2,750,000 common shares to the Company, participating in a \$400,000 private placement of the Company and incurring \$3,000,000 in exploration expenditures. LSG has the right to acquire from RTM and the Company a 10% interest in the property, once RTM acquires 50% interest in the property, by completing a preliminary resource assessment. The Company fulfilled its commitments of \$500,000 before the December 31, 2010 deadline, the whole in accordance with Section 2.1.2, Schedule E of the RTM-LSG-AGE Option Agreement dated May 5, 2010 by incurring over \$700,000 in exploration expenditures on the Meunier-144 property in 2010 from RTM.

On July 19, 2010, RTM and LSG started a deep drilling program on the Meunier-144 property. The drilling program will attempt to complete approximately 4,850 metres of drilling in an initial deep master hole and one wedge cut with drilling. The main objective of the initial deep master drill hole is to intersect the down-plunge projection and the possible junction of the Timmins Mine with the Thunder Creek Zone at 2,400 metres vertically below surface. The initial master hole is planned to be 3,300 metres and the first wedge cut is planned to be 700 metres (core length). Additional wedging may be carried out in future programs.

RTM and LSG continued the deep drilling program and 2,600 metres were completed at the end of July 2011. The deep master hole is still on track to reach the 2,400 vertical metre deep drilling target later this year. The rate of drilling was reduced due to the use of directional drilling tools which require the operators to control the deviation of the hole in turn slowing the process.

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### **Subsequent events / Timmins West – Meunier-144**

On November 19, 2011, the Company released the first diamond drilling results from the RTM/LSG deep drilling program on Meunier-144 (see press release entitled “*Meunier-144 Deep Drilling First Results - Lake Shore Gold Discovers Potential 1.9 Kilometre Down Plunge Extension of Timmins Mine Gold Mineralization*”). Highlights are:

- "Deep Hole" (M-10-05b) intersected Ultramafic and Footwall-style gold mineralization 2,380 metres below surface, representing potential 1.9-kilometre down-plunge extension from bottom of current reserve at the Timmins Mine and quadrupling of plunge length of high-grade Ultramafic Zone (see Figure 1 and 2 on AGE website);
- Deep Hole reached favourable Timmins Mine fold structure, multiple wedge cuts into core of fold nose planned by LSG;
- Deep Hole currently at 3,061 metres downhole depth, continues to test for Timmins Mine and Thunder Creek mineralization;
- Second zone of broad alteration, deformation and quartz veining, estimated to be 37 metres wide, identified from recently received drill core (currently being logged with sampling and assaying to follow - see Figure 3 on AGE website);
- Potential to add significant new resources at Timmins West Complex with further drilling considered extremely high by LSG.

The Deep Hole targeted the Timmins Mine Fold Nose (TMFN), a folded mineralized structure which hosts the Ultramafic and Footwall zones and accounts for the bulk of existing resources above the 1,200 metre level. The Ultramafic Zone, the highest grade area of the Timmins deposit, typically occurs as a series of lenses hosted by pyroxenite situated in the core of the TMFN, while the Footwall Zone occurs within volcanic rocks, immediately north of the pyroxenite. The Deep Hole successfully intersected the pyroxenite, accompanied by typical Ultramafic and Footwall-style mineralization, including carbonate alteration, quartz-tourmaline veining, pyrite and elevated gold values at the 2,380 metre level (2,925 metres downhole), approximately 1.9 kilometres down-plunge from the bottom of the current reserve, assuming the same 53 degree plunge observed near surface. Given that the Ultramafic Zone at the Timmins Mine starts at about the 525-metre level, and assuming the same plunge, the intersection at 2,380 metres represents a potential quadrupling of the plunge length of the Ultramafic Zone.

### **Granada Extension**

The Company owns a 100% interest in the Granada Extension property which covers approximately 200 hectares along the Cadillac–Larder Lake Gold Break, in the Rouyn-Noranda mining camp, Quebec. The property consists of 11 very strategic mining titles, three of which were bought from two individuals for a series of staged cash payments totalling \$50,000 over 4 years, 150,000 shares and 150,000 stock options at \$0.25 of the Company. The vendors retain a 1.5% NSR, of which 0.5% can be bought back for \$500,000.

Located on the Cadillac–Larder Lake Break, a proven major gold structure environment, the property encompasses several favourable geological features of great interest. In particular, porphyritic dykes, shear zones, and quartz veins were observed south and southwest of the former Granada Mine. This geological environment comprises strong similarities with the Malartic mining camp where Osisko Mining Corporation (OSK: TSX) (“Osisko”) recently achieved commercial production at the Canadian Malartic Mine, a large-tonnage and low-grade gold deposit totalling approximately 9M ounces of gold reserves (Osisko press release dated February 10, 2010).

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The property includes the interpreted lateral and southern extensions of Gold Bullion (GBB)'s LONG Bars Zone, where a hypothetical preliminary block model outlined a gold-mineralized system that shows a potential of 2.4 million ounces of gold (non-compliant with NI 43-101; GBB press release dated April 22, 2010). The Granada Extension property boundary is located less than 15 metres from the southernmost part of the former Granada Mine pit #2; 250 metres east of drill hole GR-10-113 which returned 0.9 g/t Au over 230 metres; and 200 metres east of hole 10-86 with 1.0 g/t Au over 85 metres; and less than 450 metres west of pit #1 and drill hole GR-10-21 which returned 2.2 g/t Au over 20 metres (GBB press releases dated March 1, 2010, November 19, 2010 and February 15, 2011). Moreover, our interpretation of the information released by GBB and those from the Quebec Sigeom database suggest that the LONG Bars Zone extensions have never been drill-tested on our property.

A prospecting, mapping and sampling program initiated early in October 2010, led to the discovery of 13 new significant gold-bearing zones. Grab samples collected within the mineralized zones returned up to 8.9 g/t gold. The gold-bearing zones are associated with porphyritic intrusions and/or quartz veins with disseminated sulphides in strongly altered and locally well-deformed sediments. The gold-bearing zones returned values generally grading between 0.3 g/t gold and 2 g/t gold, including local zones grading between 2 and 9 g/t gold. The main gold zone discovered on the property is located 600 metres west of the historical pit of the Granada Mine. It extends over at least 300 metres in length and can reach up to 50 metres in thickness (see AGE press release dated November 10, 2010).

In January 2011, the Company announced the discovery of a new gold-bearing zone at the contact between the Timiskaming and Pontiac-type sediments in the eastern part of the property. Grab samples collected within the new gold zone ranged between 0.3 and 1.0 g/t gold. The gold zone is associated with a porphyry dyke and is open laterally towards Gold Bullion's Granada property.

The Company considers these new gold discoveries to be first-priority exploration targets. No historical drilling tested the continuity of these new gold discoveries on the eastern and on the western block of claims. During the summer of 2011, field validation was done over the drilling targets. A 2,500-metre drilling program aimed to test the lateral extension of the LONG Bars Zone on our property is still planned and will be done in 2012 if AGE's global exploration budget for next year allows.

#### *Drilling performed by Gold Bullion on AGE's property*

During the course of prospecting work being performed by the Company's geologists, evidence of recent drilling activity was noted in the field near the AGE property boundary with GBB. The Company then contracted land surveyors to delineate the location of the Property boundary and survey drill hole collars in its vicinity. Based on the surveying results, the Company informed the management of GBB that as part of GBB's extensive drill campaign, a small portion of the drilling had occurred on AGE's side of the boundary. Specifically, hole GB-10-85 was drilled entirely on AGE's property, and holes GB-10-78, GB-10-83 and GB-10-98 were collared north of the property boundary but finished within AGE's claims (see Figure 1 at [www.adventure-gold.com](http://www.adventure-gold.com)). Drilling performed within AGE's property by GBB totalled approximately 893 metres. After verification, the management of GBB and its technical team provided AGE with all the drill core from these holes. AGE in turn will disclose to GBB all the information gathered from the drilling including the assays results when available. At the end of July, all the drill core had been logged and sent for assaying. Final results were still pending and will be released when received in full.

#### **Detour Quebec properties**

The Detour Quebec project includes six properties, 100%-owned by the Company, totalling 276 claims and covering an area of 14,856 hectares. The properties are strategically located over a strike length of 35 km along the gold break between the Detour Lake Mine project (proven and probable reserves of 14.9M oz Au, Detour Lake Gold, NI 43-101 report, March 15, 2011) and the Fenelon gold deposit (measured and indicated resources of 30,200 oz and inferred resources of 11,200 oz – InnovExplo, NI 43-101 report, 2005).

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During the last year, the Company completed 123 km of line cutting and magnetic surveying on the Massicotte (23 km), Casgrain (70 km) and Nantel (30 km) properties and 70 km of IP surveying on the Casgrain property. New geophysical data have been integrated with historical work to develop drilling targets during the summer. The Company plans to conduct an airborne geophysical survey on the Manthet and Martigny properties later this year. This exploration work was performed to advance these properties to the drilling stage. Drilling in 2012 may be done if AGE's global exploration budget for next year allows.

### **Casa Cameron properties**

The Casa Cameron Project includes six gold properties, 100%-owned by the Company, totalling 242 claims and covering 11,617 hectares. The properties are mainly located along the major gold break between the Casa Berardi Gold Mine (proven and probable reserves of 1.5M ounces at 5.8 g/t Au, measured and indicated resources of 824,000 ounces at 5.7 g/t Au and inferred resources of 748,000 ounces at 5.8 g/t Au – Aurizon Mines (ARZ: TSX) press release dated March 10, 2011) and the Discovery Gold Deposit owned by North American Palladium (indicated and measured resources of 237,075 ounces at 6.3 g/t Au and inferred resources of 294,473 ounces at 5.9 g/t Au – InnovExplo, NI 43-101 report, August 2008).

During the last year, the Company completed 148 km of line cutting and magnetic surveying on the Casagasic (58 km), Bell-Vezza (61 km) and Sinclair-Bruneau (29 km) properties. The Company also did compilation work on the KLM property. This work was performed to advance these properties to the drilling stage. Drilling in 2012 may be done if AGE's global exploration budget for next year allows.

### **Val-d'Or East – Megiscane-Tavernier, Realore, Beaufor West & North and Senore properties**

During the last year, the Company completed 92 km of line cutting and magnetic surveying on the Megiscane-Tavernier and Realore properties. Drilling in 2012 may be done if AGE's global exploration budget for next year allows.

### **Other properties**

No significant work was performed during the last year. The Company has not planned significant exploration work on these properties for the next year.

### **EXPLORATION OUTLOOK**

During the next quarter, the Company anticipates to complete or start the following exploration work:

- Plan and start (if the ground is frozen) Phase 3 surface diamond drilling on the Pascalis-Colombière property with a program of at least 5,000 metres to extend the BWA gold zones. The Company will also continue the 3D modelling and resource estimate;
- Plan and conduct airborne geophysical surveys on two Detour Quebec properties (Manthet and Martigny);
- On the Meunier-144 property, AGE's partners LSG and RTM are expected to continue the deep drilling;
- On the Dubuisson property, AGE's partner AEM should propose a drilling program for next year;
- On the Lapaska property, with AGE's partner Mazorro, the Company will complete a Phase 2 3,000-metre drilling program.

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The Company still intends to be pro-active in the acquisition of new mineral exploration properties in Quebec and in Ontario, primarily in and around gold mining camps. Management is currently reviewing other opportunities and other projects to enhance AGE's portfolio. The Company intends to develop exploration partnerships in order to minimize the risks related to mineral exploration and to accelerate the development of some of its properties.

**QUALIFIED PERSON**

The above technical information was confirmed and/or reviewed by Marco Gagnon, P.Geo., President and Chief Executive Officer of Adventure Gold Inc. and Jules Riopel, M.Sc., P.Geo., MBA, Vice-President Exploration & Acquisitions of Adventure Gold Inc., both Qualified Persons under NI 43-101.

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## SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial information is derived from our audited financial statements for each of the three most recently completed financial years.

### SELECTED ANNUAL FINANCIAL INFORMATION

	July 31 2011	July 31 2010	July 31 2009
	\$	\$	\$
<b>STATEMENT OF OPERATIONS</b>			
Operating expenses	(854,333)	(442,646)	(596,013)
Revenues	40,810	-	-
Interest and dividend income	29,003	5,171	15,167
Gain on optioning of mining properties	32	824,512	-
Loss from operations	(854,333)	(442,646)	(386,289)
Net earnings (loss)	(560,231)	291,294	(260,071)
Net earnings (loss) per share			
Basic	(0.011)	0.008	(0.010)
Diluted	(0.011)	0.007	(0.010)
<b>STATEMENT OF MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES</b>			
Acquisition of mining properties	89,215	306,144	94,838
Deferred exploration expenses before writedowns	1,622,613	883,815	1,769,990
<b>STATEMENT OF CASH FLOWS</b>			
Cash flows from operating activities	(760,763)	(213,723)	(289,477)
Cash flows from investing activities	(1,212,767)	(1,642,143)	(1,868,813)
Cash flows from financing activities	1,368,414	2,105,331	1,364,302
Increase (decrease) in cash and cash equivalents	(605,116)	249,465	(793,988)
<b>BALANCE SHEET</b>			
Cash and cash equivalents (Bank indebtedness)	(898)	604,218	356,118
Short-term investments	711,715	1,000,635	-
Marketable securities	1,403,100	861,450	-
Long-term investments	-	345,000	-
Mining properties	364,987	349,546	529,668
Deferred exploration expenses	3,532,924	2,786,329	2,467,076
Shareholders' equity	6,718,248	5,552,778	2,904,663
Total assets	7,309,263	6,208,443	3,460,573

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

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## RESULTS OF OPERATIONS FOR THE YEAR ENDED JULY 31, 2011

### Net earnings (loss)

During the year ended July 31, 2011, the Company realized a net loss of \$560,231 as compared to a net earnings of \$291,294 and to a net loss \$260,071 for the years ended July 31, 2010 and 2009 respectively. This significant decrease is mostly attributable to the recognition of a gain on optioning the Dubuisson and Meunier 144 properties for \$824,512 during the year ended July 31, 2010 and to a stock-based compensation expense of \$331,422 compared to a stock-based compensation expense of \$111,865 and \$52,204 during the years ended July 31, 2010 and 2009 respectively.

### Operating expenses

During the year ended July 31, 2011, operating expenses were \$854,333 as compared to \$442,646 for the year ended July 31, 2010 and \$386,289 for the year ended July 31, 2009.

The increase in 2011 operating expenses as compared to 2010 is attributable to the following changes:

- The recognition of higher stock-based compensation (\$331,422 in 2011 compared to \$111,865 in 2010) further to the grant of 1,125,000 stock options in 2011 at a weighted average fair value of \$0.29, as compared to 770,000 stock options granted in 2010 at a lower weighted average fair value of \$0.15.
- An increase in salaries and benefits (\$157,500 in 2011 compared to \$68,173 in 2010), mainly due to the hiring of new employees and to the recognition of vacation pay.
- An increase in travel and promotion (\$115,905 in 2011 compared to \$30,103 in 2010), mainly due to the search of investors in Europe, to evaluation of mining properties without result and to increased budget for travel that has tripled.

The increase in 2010 operating expenses as compared to 2009 is attributable to the following changes:

- The recognition of higher stock-based compensation (\$111,865 in 2010 compared to \$52,204 in 2009) further to the grant of 770,000 stock options in 2010 at a weighted average fair value of \$0.15, as compared to 545,000 stock options granted in 2009 at a lower weighted average fair value of \$0.10.
- An increase in salaries and benefits (\$68,173 in 2010 compared to \$39,336 in 2009), mainly due to the grant of bonuses to employees.
- A decrease in flow-through interest and tax expense (\$2,069 in 2010 compared to \$21,184 in 2009) as the Company had a lower amount of flow-through funds to spend during the year (\$102,780 in 2010 and \$1,150,600 in 2009).

### Revenues

The revenues of \$40,810 (\$0 in 2010 and 2009) for the year ended July 31, 2011 consisted of exploration operating activities of Lapaska property on behalf Mazorro Resources Inc.

### Interest and dividend income

Interest and dividend income consisted of dividend paid through mutual funds and interest paid through bank balances, investments with maturity of three months or less, bankers' acceptances, guaranteed investment certificates and bonds with maturity ranging from 3 months to 12 months.

The increase in interest and dividend income in 2011 (\$29,003 in 2011 compared to \$5,171 in 2010), is mainly due to a higher average daily balance in the investments portfolio.

The decrease in interest and dividend income in 2010 (\$5,171 in 2010 compared to \$15,167 in 2009), is mainly due to a decrease in the investments portfolio as the Company advanced in its exploration program during 2010.

### Future income tax

During the year ended July 31, 2011, the Company recorded a future income tax recovery of \$224,251 as compared to a future income tax expense of \$95,743 in 2010 and a future income tax recovery of \$111,051 in 2009. The Company did not file any flow-through renunciations during the year ended July 31, 2011 as compared to flow-through renunciations of \$102,780 in 2010 and \$1,150,600 in 2009.

### SELECTED QUARTERLY FINANCIAL INFORMATION

Adventure anticipates that the quarterly and annual results of operations will primarily be impacted for the near future by several factors, including the timing and efforts of the exploration's expenditures and efforts related to the development of the Company. Due to these fluctuations, the Company believes that the quarter to quarter and the year to year comparisons of the operating results may not be a good indication of its future performance.

The following selected quarterly financial information is derived from our unaudited interim financial statements for each of the two most recently completed financial years.

#### SELECTED QUARTERLY FINANCIAL INFORMATION

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
<b>STATEMENT OF OPERATIONS</b>								
Operating expenses	(161,590)	(128,789)	(417,963)	(186,801)	(131,880)	(58,450)	(187,678)	(64,638)
Revenues	40,810	-	-	-	-	-	-	-
Interest and dividend income	10,855	7,949	4,439	5,760	2,947	1,179	325	720
Gain on optioning of mining properties	32	-	-	-	824,512	-	-	-
Loss from operations	(161,590)	(128,789)	(417,963)	(186,801)	(131,880)	(58,450)	(187,678)	(64,638)
Net earnings (loss)	155,174	(120,840)	(413,524)	(181,041)	537,937	(46,478)	(159,737)	(40,428)
Net earnings (loss) per share								
Basic	(0.001)	(0.002)	(0.008)	(0.004)	0.015	(0.001)	(0.005)	(0.001)
Diluted	(0.001)	(0.002)	(0.008)	(0.004)	0.014	(0.001)	(0.005)	(0.001)
<b>STATEMENT OF MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES</b>								
Acquisition of mining properties	(28,807)	21,438	-	96,584	263,467	10,894	2,080	29,703
Deferred exploration expenses before writedowns	582,010	660,842	287,725	146,036	294,078	213,941	247,691	128,105
<b>STATEMENT OF CASH FLOWS</b>								
Cash flows from operating activities	(322,067)	(209,626)	(140,456)	(88,614)	(129,255)	(58,995)	(3,190)	(22,283)
Cash flows from investing activities	167,120	(547,656)	(704,254)	(127,977)	(1,081,493)	(174,736)	(258,110)	(127,804)
Cash flows from financing activities	(266,592)	719,169	255,709	660,128	430,914	723,940	950,477	-
Increase (decrease) in cash and cash equivalents	(421,539)	(38,113)	(589,001)	443,537	(779,834)	490,209	689,177	(150,087)
<b>BALANCE SHEET</b>								
	Q4	Q3	Q2	2011 Q1	Q4	Q3	Q2	2010 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents (Bank indebtedness)	(898)	420,641	458,754	1,047,755	604,218	1,384,052	893,843	204,666
Short-term investments	711,715	1,470,480	1,508,233	1,003,967	1,000,635	-	-	-
Marketable securities	1,403,100	1,178,800	1,028,100	1,186,350	861,450	-	-	-
Long-term investments	-	506,000	517,500	276,000	345,000	-	-	-
Mining properties	364,987	394,054	446,130	446,130	349,546	572,345	561,451	559,371
Deferred exploration expenses	3,532,924	3,291,975	3,220,090	2,932,365	2,786,329	3,056,813	2,842,872	2,595,181
Shareholders' equity	6,718,248	6,842,027	6,621,090	6,455,130	5,552,778	4,504,742	3,827,280	2,887,752
Total assets	7,309,263	7,999,275	7,436,031	7,151,424	6,208,443	5,072,412	4,355,815	3,455,832

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## RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED JULY 31, 2011

### Net earnings (loss)

During the three-month period ended July 31, 2011, the Company realized a net earnings of \$155,174 as compared to a net earnings of \$537,937 for the three-month period ended July 31, 2010. This significant decrease is mostly attributable to the recognition of a gain on optioning the Bourniol property for \$32 and to a future income tax recovery of \$224,251 during the three-month period ended July 31, 2011 compared to a gain on optioning the Dubuisson and Meunier 144 properties for \$824,512 and a future income tax expense \$157,462 during the three-month period ended July 31, 2010.

### Operating expenses

During the three-month period ended July 31, 2011, operating expenses were \$120,780 as compared to \$131,880 for the three-month period ended July 31, 2010.

The decrease in 2011 operating expenses as compared to 2010 is attributable to the following changes:

- An increase in salaries and benefits (\$59,743 in 2011 compared to \$45,928 in 2010), mainly due to the hiring of new employees and to adjustments of prior years related to the bank vacation.
- An increase in management and consulting fees (\$30,000 in 2011 compared to \$22,501 in 2010), mainly due to an adjustment for additional work done related to the accounting transition period following the management financial team change in late fall 2010.
- A decrease in professional fees (\$5,518 in 2011 compared to \$17,012 in 2010), mainly due to a decrease of legal fees.
- A decrease in general expenses (a recovery of \$5,111 in 2011 compared to an expense of \$18,313 in 2010), mainly due to a reclassification of computer equipment and office equipment in general expenses to equipment and year-end adjustments.
- An increase in travel and promotion (\$21,613 in 2011 compared to \$16,623 in 2010), mainly due to evaluation of mining properties.
- An adjustment of prior quarters related to stock-based compensation.

### Revenues

The revenues of \$40,810 (\$0 in 2010) for the three-month period ended July 31, 2011 consisted of exploration operating activities of Lapaska property on behalf Mazorro Resources Inc.

### Interest and dividend income

During the three-month period ended July 31, 2011, the increase in interest and dividend income (\$10,855 in 2011 compared to \$2,947 in 2010) was mainly due to a higher average daily balance in the investments portfolio.

### Future income tax

During the year ended July 31, 2011, the Company recorded a future income tax recovery of \$224,257 as compared to a future income tax expense of \$95,743 in 2010 and a future income tax recovery of

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\$111,051 in 2009. The Company did not file any flow-through renunciations during the year ended July 31, 2011 as compared to flow-through renunciations of \$102,780 in 2010 and \$1,150,600 in 2009.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's working capital totals \$3,189,699 as at July 2011 (\$2,677,146 in 2010) including bank indebtedness of \$898 (cash and cash equivalents of \$604,218 in 2010), short-term investments of \$711,715 (\$1,000,635 in 2010), marketable securities of \$1,403,100 (\$861,450 in 2010), accounts receivable and other receivables of \$208,884 (\$1,343 in 2010), tax credit and mining duties receivable of \$859,552 (\$192,975 in 2010) and other current liabilities totalling \$208,382 (\$49,673 in 2010). The Company anticipates having sufficient funds to discharge its current liabilities and meet its commitments for exploration programs and cash payments, which are minimal given the optioning of the Dubuisson, Meunier and Granada properties, undertake exploration work on its properties and/or acquire additional exploration properties, and meet all of its general and administrative costs for the next twelve months.

#### **Cash flows from operating activities**

Cash flows from operating activities were \$760,763 during the year ended July 31, 2011, an increase of approximately \$550,000 compared to cash flows of \$213,753 used by operating activities during the year ended July 31, 2010. An increase in the accounts receivable and the sales taxes receivable were the main contributing factors.

#### **Cash flows from investing activities**

Cash flows from investing activities were \$1,212,767 during the year ended July 31, 2011, a decrease of approximately \$430,000 compared to cash flows of \$1,642,143 used in investing activities during the year ended July 31, 2010. A decrease in the acquisition of mining properties combined with a decrease of option payments received and an increase of the exploration work were the main contributing factors.

#### **Cash flows from financing activities**

Cash flows from financing activities were \$1,368,414 during the year ended July 31, 2011, a decrease of approximately \$735,000 compared to cash flows of \$2,105,331 generated by financing activities during the year ended July 31, 2010. The decrease is explained by the absence of funds raised from private placements during the year ended July 31, 2011 compared to funds of approximately \$2,000,000 of private placements in 2010.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

As at July 31, 2011, the Company has non off-balance sheet arrangements.

#### **RELATED PARTY TRANSACTIONS**

Under a cost sharing agreement between the Company and Everton Resources Inc. ("Everton") (which shares common management), the Company reimburses the cost of the Company's portion of shared salaries and benefits, rent and office expenses paid by Everton (which shares common management). During the year ended July 31, 2011, the cost of shared salaries and benefits was \$30,000 (2010 - \$90,000), rent and office expenses were \$2,040 (2010 - \$6,000) and acquisition of equipment of \$1,500 (2010 - \$Nil). During the year ended July 31, 2010, the Company issued 385,444 common shares at \$0.135 per share and 122,125 common shares at \$0.12 per share for a total value of \$66,690 to Everton in payment of shared costs and insider management costs. There was no

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amount due by the Company to Everton as at July 31, 2011 (\$Nil as at July 31, 2010). The agreement between the Company and Everton was terminated effective November 30, 2010.

Under an agreement between the Company and Focus Metals Inc. ("Focus") (which shares common management), Focus was invoiced by the Company, at cost, for rent, office expenses, trade-shows expenses and exploration expenses incurred on behalf of Focus for a total of \$8,017 for the year ended July 31, 2011 (2010 - \$51,133) and the Company was charged by Focus, at cost, for exploration expenses and salaries incurred on behalf of the Company for a total of \$10,266 for the year ended July 31, 2011 (2010 - \$Nil). No amount was due by the Company to Focus as at July 31, 2011 (\$Nil as at July 31, 2010) and an amount of \$4,172 was due by Focus to the Company as at July 31, 2011 (\$729 as at July 31, 2010).

Under an agreement between the Company and Atwater Financial Group ("Atwater"), (which shares common management), Atwater invoiced the Company \$77,500 (2010 - \$Nil) for the year ended July 31, 2011 for bookkeeping, accounting and CFO services provided to the Company. An amount of \$10,253 was due by the Company to Atwater as at July 31, 2011 (\$Nil as at July 31, 2010).

These transactions were measured at the exchange amount, which is the amount established and accepted by the parties and were conducted in the normal course of business.

#### **BOOK VALUE OF MINING PROPERTIES**

At the end of each quarter, management reviews the carrying values of its resource properties to determine whether any write-downs are necessary. Following this analysis, the Company recorded write-down for residual costs of \$747 on properties abandoned in the past (Monique, Evain, Sainte-Helene and Destor) as they no longer fit the Company's development strategy (\$9,815 in 2010).

#### **CONTINGENCIES**

Governmental laws and regulations regarding environmental protection regulate the Company's operations. The environmental consequences are not easily identifiable, either in terms of results, the impacts or the expiration date. Currently, and to the best knowledge of its management, the Company is in conformity with current laws and regulations.

#### **SUBSEQUENT EVENTS**

In September 2011, the Company, RTM and LSG have fulfilled all their commitments and earned respectively 75%, 12.5% and 12.5% interest each in and to the Property Meunier 144. In addition, RTM and LSG elected to exercise the Second Option to each acquire an additional 12.5% interest in the Property.

In June 2011 and as approved by TSX regulations in August 2011, the Company entered into an option agreement with Mazorro, whereby Mazorro acquired an exclusive option to earn up to 100% in 85 claims covering an area of approximately 3,500 hectares of the Company's Dalquier property, located in the south-central segment of the prolific Archean Abitibi Greenstone Belt less than 4 kilometres north of the town of Amos in the township of Dalquier, Quebec. in Val d'Or East area, by spending \$2.0M in exploration expenditures, issuing 2,000,000 shares of Mazorro and paying \$300,000 in cash payment over the next 5 years.

To earn its initial 100% interest, Mazorro must make cash payments, issue common shares and incur exploration expenses in the following timelines:

	Cash Payments	Shares	Exploration Expenses
	\$		\$
On signing of the Agreement	25,000 <sup>(1)</sup>	500,000 <sup>(2)</sup>	100,000 <sup>(3)</sup>
On or before June 30, 2012	25,000	500,000	250,000
On or before June 30, 2016	250,000	1,000,000	1,650,000
	<u>300,000</u>	<u>2,000,000</u>	<u>2,000,000</u>

(1) Cash payment was made in August 2011.

(2) These common shares were issued on August 12, 2011 at a price of \$0.17 per share.

(3) These exploration expenses were incurred on or before the date noted in the agreement.

In October and November 2011, a total of 3,384,522 warrants were exercised for gross proceeds of \$539,489 and a total of 115,000 stock options were exercised for gross proceeds of \$18,350.

### GOING CONCERN ASSUMPTION

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of a going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The carrying amounts of assets, liabilities and expenses presented in the financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for the financial statements, adjustments to the carrying value of assets and liabilities and expenses and balance sheet classification, which could be material, may be necessary.

As at July 31, 2011, the Company has working capital of \$3,189,699 including \$711,715 in short-term investments and \$1,403,100 in marketable securities. Along with \$557,839 in gross proceeds from the exercise of warrants, options and agent options subsequent to year-end (see subsequent events section), the Company anticipates having sufficient funds to meet its current option payment and exploration work commitments, carry out an exploration program on its other properties, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

### CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure continuity as a going-concern and to safeguard its ability to continue its acquisition and exploration programs as well as ensuring that all flow-through funds obtained are utilized in exploration activities and spent by the required deadline. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company defines its capital as the shareholders' equity. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long term debt as the Company does not currently generate operating revenues. There is no dividend policy. The Company is subject to regulatory requirements related to the use of funds obtained by flow-through share arrangements. These funds have to be

incurred for eligible exploration expenses. The Company was in compliance with these requirements throughout the year.

**CAPITAL**

	<u>July 31</u> <u>2011</u>	<u>July 31</u> <u>2010</u>	<u>July 31</u> <u>2009</u>
	\$	\$	\$
Equity	<u>6,718,248</u>	<u>5,552,778</u>	<u>2,904,663</u>

**SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

**Basis of presentation**

These financial statements, which are expressed in Canadian dollars, have been prepared by management in accordance with Canadian GAAP. The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of fair value.

**Use of estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods as well as the related notes to financial statements. Significant items subject to estimates and assumptions include, but are not limited to, the carrying value of mining properties and deferred exploration expenses, future income taxes and the measurement and determination of stock-based compensation and warrants. Actual results could differ from those estimates. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized below:

**Cash and cash equivalents**

Cash and cash equivalents of the Company are comprised of bank balances and investments with maturities at the date of acquisition of three months or less and which are readily convertible into cash.

**Short-term investments**

Short-term investments consist of bonds and guaranteed investment certificates with maturities at the date of acquisition ranging from 3 to 12 months.

**Long-term investment**

Investments in publicly traded companies are recorded at fair values based on quoted closing bid prices at the balance sheet date. Unrealized gains and losses are recorded in other comprehensive income.

**Equipment**

Equipment is recorded at cost and amortized over their estimated useful lives according to the straight-line method at the following rates:

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Computer equipment	3 years
Office furniture and equipment	5 years

### **Impairment of equipment**

Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Management reviews the carrying value of the assets and considers whether an impairment charge should be recorded. The review is based on the assessment of technological changes, the Company's intended use and on the projected estimated future undiscounted cash flows expected to be generated from the underlying assets. Any impairment results in a charge to income during the year to the extent that the asset's carrying value exceeds its fair value, generally determined on a discounted cash flow basis or replacement cost basis.

### **Mining properties and deferred exploration expenses**

Costs related to the acquisition, exploration and development of mining properties are capitalized until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If it is determined that capitalized acquisition and exploration costs are not recoverable, or the project is abandoned, these costs are charged to operations in the current period. The Company's management reviews the carrying amounts of assets for impairment on a regular basis. Government assistance is applied against deferred exploration expenses.

Mining properties and exploration costs are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company performs a recoverability test when estimated future cash flows are available. If management does not have enough information to estimate future cash flows to evaluate the recoverability of capitalized amounts, management will make an estimate by comparing the fair value with the carrying value. Management will also consider whether results from exploration works justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties will be for proceeds in excess of their carrying value.

Although the Company has taken steps to verify title to mining 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 the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### **Environmental and reclamation costs**

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation by the application of technically proven and economically feasible measures.

An estimate for the future costs of site restoration is made based upon estimates that consider the anticipated method and extent of site reclamation required to meet legal standards. If required, a provision for the estimated costs is recognized by increasing the carrying amount of the related long-lived asset by the same amount as the liability.

Reclamation costs incurred are charged against this provision. The effects of changes in regulations and cost assumptions are recognized when determined. As at July 31, 2011 and 2010, there was no material asset retirement obligation.

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### **Net earnings (loss) per share**

Basic net earnings (loss) per share is computed by dividing the net earnings (loss) for the year available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted net earnings (loss) per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. In 2011, the diluted loss per share is equal to the basic loss per share because the effect of dilutive stock options and warrants described in Note 13 is anti-dilutive, by application of the treasury stock method. The weighted average number of common shares used to determine diluted net earnings per share includes an adjustment for stock options outstanding and warrants outstanding using the treasury stock method. Under the treasury stock method:

- the exercise of options or warrants is assumed to be at the beginning of the year (or date of issuance, if later);
- the proceeds from the exercise of options or warrants are assumed to be used to purchase common shares at the average market price during the year;
- the incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted earnings per share computation; and
- options and warrants are not included in the computation of diluted net earnings per share when their exercise price is greater than the average market price during the year since they would have an anti-dilutive effect.

### **Share capital**

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value based upon the trading price of those shares on the TSX.V the day before the transaction date.

Proceeds from unit placements are allocated between shares and warrants issued according to their fair value using the proportional method.

### **Share issue expenses**

Share issue expenses are recorded as a reduction of share capital when the related shares are issued.

### **Stock-based compensation**

The Company measures the compensation cost of stock options issued under employee and non-employee compensation plans using a fair value-based method. Under the fair value method, stock-based payments to employees are measured at fair value and amortized over the vesting period and stock-based payments to non-employees are measured at either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, and are recognized over the related service period as an expense or an asset, with a corresponding increase to contributed surplus. If the stock options or agent options are exercised, the proceeds are credited to share capital and the fair value of the options or agent options exercised is reclassified from contributed surplus to share capital.

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## **Income taxes**

The Company accounts for income taxes under the asset and liability method that requires the recognition of future income tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities. The Company provides a valuation allowance on net future tax assets when it is more likely than not, that such assets will not be realized.

## **Tax credits and mining duties**

The Government of Québec provides a non-taxable refundable credit for losses to help operators meet exploration, mineral deposit evaluation and mine development costs by refunding part of eligible expenditures incurred. The credit is equal to 12% of the lesser of:

- the amount of the annual loss; and
- the exploration, mineral deposit evaluation and mine development expenses.

The Government of Québec also offers businesses having establishments and that carry on activities in Québec a refundable tax credit for mineral exploration activities, covering up to 45% of exploration expenses. Tax credits and mining duties which are earned as a result of qualifying mineral exploration expenses are recognized when the exploration expenses are incurred. They are applied to reduce related mineral exploration expenses in the period recognized.

## **Revenue recognition**

Operator of exploration project revenue is recognized in accordance with the terms of agreements, as services are provided, when the fees are fixed or determinable and collection is reasonably assured.

## **Financial instruments**

The Company classifies financial assets and liabilities as held for trading, available-for-sale, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are all recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the CICA Handbook Section 3840, Related Party Transactions. Transaction costs from financial assets and liabilities are recognized in operations and presented under administrative expenses. Subsequently, financial assets and liabilities are measured and recognized as follows:

### *Held for trading*

Financial assets classified as held for trading are measured at their fair value and changes in fair value are recognized in operations in the periods in which they arise. Changes in fair value that are recognized in operations include interest, and realized and unrealized gains or losses, and are presented under Interest income.

Cash and cash equivalents and short-term investments are classified as held for trading.

### *Available-for-sale*

Financial assets classified as available-for-sale are measured at fair value with changes in fair value recorded in other comprehensive income until the financial asset is derecognized or impaired.

Marketable securities and long-term investments are classified as available-for-sale financial assets.

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### *Loans and receivables*

Financial assets classified as loans and receivables are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

Accounts receivable are classified as loans and receivables.

### *Other financial liabilities*

Other financial liabilities are measured at amortized cost using the effective interest method of amortization. Interest calculated using the effective interest method is presented in operations.

Accounts payable and accrued liabilities are classified as other financial liabilities.

## **FUTURE ACCOUNTING STANDARDS**

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed that Canadian generally accepted accounting policies ("GAAP"), as used by publicly accountable enterprises, will be fully converged with IFRS, as issued by the International Accounting Standards Board ("IASB"). The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Therefore, the Company will be required to report under IFRS for its 2012 annual financial statements starting with its October 31, 2011 first quarter interim report.

## **TRANSITION TO IFRS**

The Company has developed and implemented a project plan to ensure full compliance with this requirement by 2011. The following is a summary of the four primary phases of the plan and the expected timing of activities related to the Company's transition to IFRS. To address the transition process, the Company allocated specific resources to the project. The Company transition team is managed by the CFO (who is a Fellow Chartered Accountant), and the President and CEO. The audit committee members have been informed of progress along the way.

### **Phase 1) Diagnostic impact assessment**

This phase consists in performing an initial analysis of key areas for which changes to accounting policies may be required. While an analysis is required for all current accounting policies, the Company has performed a review of the most significant areas of difference to the Company.

- IFRS 1 First-time adoption of International Financial Reporting Standards
- IFRS 2 Share-based payment
- IFRS 6 Exploration for and evaluation of mineral resources
- IAS 1 Presentation of financial statements
- IAS 12 Income taxes
- IAS 16 Property, plant and equipment
- IAS 21 The effects of changes in foreign exchange rates
- IAS 32 Financial instruments: presentation
- IAS 36 Impairment of assets

### **Current status of the Company's IFRS transition plan of Phase 1**

The initial diagnostic impact assessment phase was completed in early 2011 with a preliminary gap analysis of the accounting and business processes.

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## **Phase 2) Design, planning and solution development phase**

This phase involves the development of the detailed plan for convergence and implementation, analyses of policy alternatives allowed under IFRS, the specification of changes required to existing accounting policies, and the development of solutions for information systems and business processes. To date, the Company has identified a number of accounting differences and policy alternatives, including one-time accounting alternatives under IFRS. As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and processes. The Company believes that the changes identified to date are minimal and the current systems and processes will be able to accommodate the necessary changes.

### **Current status of the Company's IFRS transition plan of Phase 2**

The detailed analysis of the accounting policies impacted by the IFRS convergence was completed in September 2011. Overall, considerable effort will be put in the financial statements presentation as IFRS requires more disclosure.

Set out below, are the main areas where changes in accounting policies are expected to have an impact on the Company's financial statements. The list below should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, the analysis of changes is still in process and the selection of accounting policies under IFRS, where appropriate, has not been completed. The regulatory bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's financial statements in future years. The future impacts of the IFRS will also depend on the particular circumstances prevailing in those years. The standards listed below are those existing based on current Canadian GAAP and IFRS. At this stage, the Company is not able to reliably quantify the expected impacts of these differences on its financial statements.

The Company's staff which is involved in the preparation of financial statements is being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. The standards are as follows:

#### **First-time adoption (IFRS 1)**

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

The Company believes that the choices available under IFRS 1 will allow the opening balance as at August 1, 2010, to remain similar to the closing balance sheet of July 31, 2010. The Company's key IFRS 1 exemption decisions were approved by Management in September 2011.

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### **Impairment of assets (IAS 36)**

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss).

IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this was prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

The Company does not believe that the changes in this policy will have any impact on the financial statements on the changeover date. Nevertheless, in the subsequent years, this policy could generate more impairment since it uses a one-step test.

### **Share-based payments (IFRS 2)**

Under IFRS, the forfeiture rate, with respect to the recognition of stock-based compensation, needs to be estimated at the grant date instead of only recording actual forfeitures as they occur.

For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ.

The Company believes that the changes in this policy will have a very limited impact on the Company's financial statements. In addition, in future years, the stock-based compensation for grants with a vesting period will be front loaded instead of being linear.

### **Mineral property interests, exploration and evaluation costs (IFRS 6)**

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment.

Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

The Company does not believe that the changes in this policy will have any impact on the financial statements on the changeover date and in subsequent years.

### **Property, plant and equipment (IAS 16, IFRIC 1)**

Under IFRS, the Company can elect to measure property plant and equipment ("PPE") using either the cost model or the revaluation model. Canadian GAAP only accepts the cost model. The Company will not select the revaluation model due to the difficulty and effort needed to determine the fair value.

Under IFRS, each part of a PPE with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. A similar standard required exists in Canada, except that Canadian GAAP specifies a breakdown must be provided whenever reasonably possible, and consequently current practice is to not provide a breakdown of the key components. IFRS may result in additional details needed to maintain the PPE sub-ledger. Under IFRS, the residual

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value and the useful life of an asset shall be reviewed at least at each year end. Canadian GAAP were requesting the same review but only on a regular basis.

The Company does not believe that the changes in this policy will have any impact on the financial statements on the changeover date, since its PPE were simple. Nevertheless, additional attention will have to be paid to identifying the different components of each PPE in future years.

### **Financial instruments (IAS 39)**

Under IFRS, all financial assets must be classified as “loans and receivables”, “held-to-maturity”, “fair value through profit or loss” or “available-for-sale”. Similarly, under Canadian GAAP all financial assets must be classified as “loans and receivables”, “held-to-maturity”, “held-for-trading” (fair value through profit or loss) or “available-for-sale”. However, there are certain differences between Canadian GAAP and IFRS with respect to the types of assets that may be classified into each of these categories.

Under IFRS, Financial instruments may be designated on initial recognition as measured at fair value through profit or loss only if certain criteria are met. Like IFRS, under Canadian GAAP financial instruments may be designated on initial recognition as held for trading (and measured at fair value through profit and loss) only if certain criteria are met. However, these criteria are less restrictive than under IFRS.

The Company is presently evaluating the impact of these potential changes.

### **Financial statement preparation**

During the fourth quarter ended July 2011, the Company prepared a draft IFRS financial statement model and identified the IFRS convergence adjustments.

### **Training and communication**

During the fourth quarter ended July 2011, the Company hired a consulting firm to assist in the transition and provide the appropriate training to the employees as needed.

### **IT systems**

The Company's accounting processes are simple since it is an exploration company. The Company should be able to operate the accounting system under IFRS as no major difficulties are expected. Nevertheless, some Excel spreadsheets will have to be adjusted to support the changes required for convergence.

The Company has yet to establish whether historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

It has yet to be determined how the information will be generated in parallel under IFRS so that the comparative information is available in fiscal 2012. Since the degree of adjustment needed to convert to IFRS is established, processes will be put in place during the first quarter of fiscal 2012 to generate the dual accounting.

### **Internal controls**

The Company's signing officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, and more specifically that the SEDAR filings are reliable. During the third quarter of 2010, the Company's officers have reviewed the internal controls to take into account material changes in accounting policies.

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### **Impact on the Business**

The Company's business processes are simple and no major difficulties in operating under IFRS are expected. The Company has no debt and no capital obligations. The Company does not expect IFRS to have an impact on its processes when it enters into flow-through financings. The Company has no compensation arrangements that will be affected by the IFRS. The Company's stock option plan is not affected by ratios or financial targets.

### **Phase 3) Implementation**

This phase includes the completion and formal authorization of recommended changes to accounting policies, including transition elections to apply changes retroactively or prospectively, the execution of changes to information systems and business processes, delivery of training programs across the Company and the preparation of the opening balance sheet and the quarterly and annual financial statements for both 2012 and the comparative 2011 fiscal years. In addition, the impact of IFRS on contractual arrangements will be addressed.

#### **Current status of the Company's IFRS transition plan of Phase 3**

At this stage, the Company will implement the changes developed in Phase 2, including changes to the accounting processes and policies. The Company will also quantify the impact of IFRS.

Management has prepared the structure of the first financial statements as of October 31, 2011, with the opening balance as of August 1, 2010, comparatives as of October 31, 2010 and disclosure notes.

### **Phase 4) Post implementation phase**

This phase involves a compliance review of the conversion project to assess the accuracy and consistency with which IFRS accounting policies are being applied, the adoption of sustainable processes and procedures and the adequacy of information technology solutions, training programs and other business impact solutions.

#### **Current status of the Company's IFRS transition plan of Phase 4**

Management will prepare the interim and annual financial statements for the year ending July 31, 2012, in compliance with IFRS, including interim financial statements as at and for the quarter ended October 31, 2011 within the regulatory prescribed period.

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**OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS**

The following selected financial information is derived from our unaudited financial statements.

**Adventure Gold Inc.****Disclosure of outstanding share data (as at November 25, 2011)**

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**Outstanding common shares:** 57,134,117

**Outstanding stock options:** 3,125,000  
Average exercise price of: \$ 0.26

<u>Expiry date</u>	<u>Number</u>	<u>Exercise price</u>
		<u>\$</u>
November 2012	800,000	0.27
June 2013	50,000	0.19
October 2013	300,000	0.19
March 2014	150,000	0.14
January 2015	700,000	0.19
September 2015	600,000	0.19
November 2015	75,000	0.39
December 2020	450,000	0.53
	<u>3,125,000</u>	

**Outstanding warrants:** 4,778,080  
Average exercise price of: \$ 0.23

<u>Expiry date</u>	<u>Number</u>	<u>Exercise price</u>
		<u>\$</u>
December 2011	1,020,000	0.16
December 2011	31,500	0.13
April 2012	370,000	0.18
April 2012	1,885,000	0.27
May 2012	200,000	0.20
May 2012	1,000,000	0.27
July 2015	196,580	0.20
October 2015	75,000	0.25
	<u>4,778,080</u>	

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## **RISK AND UNCERTAINTIES**

Adventure is subject to a variety of risks, some of which are described below. If any of the following risks occur, the business, results of operations or financial condition could be adversely affected in a material manner.

### **Credit risk**

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash and cash equivalents and short-term investments. To mitigate exposure to credit risk, the Company has revised its policy to limit the concentration of credit risk and to ensure counterparties demonstrate minimum acceptable worthiness. The Company's cash and cash equivalents and short-term investments are held at several large financial institutions.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, including 30-day, 180-day and 360-day lookout periods.

The Company's working capital totals \$3,189,699 as at July 2011 (\$2,677,146 in 2010) including bank indebtedness of \$898 (cash and cash equivalents of \$604,218 in 2010), short-term investments of \$711,715 (\$1,000,635 in 2010), marketable securities of \$1,403,100 (\$861,450 in 2010), accounts receivable and other receivables of \$208,884 (\$1,343 in 2010), tax credit and mining duties receivable of \$859,552 (\$192,975 in 2010) and other current liabilities totalling \$208,382 (\$49,673 in 2010).

The Company anticipates having sufficient funds to discharge its current liabilities and meet its commitments for exploration programs and cash payments, which are minimal given the optioning of the Dubuisson, Meunier and Granada properties, undertake exploration work on its properties and/or acquire additional exploration properties, and meet all of its general and administrative costs for the next twelve months.

### **Interest risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk.

The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments (such as investment savings accounts, banker's acceptances, term deposits, guaranteed investment certificates or bonds) with maturities of 360 days or less from the original date of acquisition.

The Company has limited exposure to financial risk arising from fluctuations in interest rates earned on cash equivalents and short-term investments and the volatility of these rates. As at July 31, 2011, cash equivalents and short-term investments total \$710,817 (\$1,604,853 as at July 31, 2010) and interest income derived from these investments during the year ended July 31, 2011 was \$24,043 (\$5,171 – 2010).

### **Market risk**

The Company holds publicly listed shares of companies in the mining exploration industry. The Company is exposed to market risk in trading these shares and unfavourable market conditions could

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result in the disposal at less than their value at July 31, 2011. As at July 31, 2011, the value of these listed shares is \$1,403,100 (\$1,206,450 as at July 31, 2010). As at July 31, 2011, had the bid price for these publicly listed shares been 10% lower, the comprehensive income for the year would have been approximately \$140,310 lower. Conversely, had the bid price been 10% higher, the comprehensive income for the year would have been approximately \$140,310 higher.

### **Exploration and mining risks**

The business of mineral exploration involves a high degree of risk. Few properties that are explored are ultimately developed into production. At present, there are no known bodies of commercial ore on the mineral properties of which the Company owns an interest. Unusual or unexpected formations, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known body of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

### **Titles to property**

While the Company has diligently investigated title to the various properties in which it has interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

### **Permits and licenses**

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

### **Metal prices**

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

### **Competition**

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

### **Environmental regulations**

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry

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operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

### **Conflicts of interest**

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **Stage of development**

The Company's properties are in the exploration stage and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and in future there is no assurance that it will produce revenue, operate profitably or provide a return on investment.

### **Industry conditions**

Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

### **Uninsured hazards**

Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards which cannot be insured against or against which the Company may elect not to insure because of high premium costs or other reasons. The payment of any such liability could result in the loss of Company's assets or the insolvency of the Company.

### **Future financing**

Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

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### **Key employees**

Management of the Company rests on a few key officers and members of the Board of Directors, the loss of any of whom could have a detrimental effect on its operations. The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

### **Canada Customs and Revenue Agency**

No assurance can be made that Canada Customs and Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).

### **CERTIFICATION OF ANNUAL FILINGS**

The President and Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President and Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the year ended July 31, 2011.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual 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 annual filings.
- Based on their knowledge, having exercised reasonable diligence, the President and Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the period presented in the annual filings