



ADVENTURE GOLD INC.

(An Exploration Stage Company)

Interim Financial Statements

(Unaudited)

For the three-month and nine-month period ended

April 30, 2011

(Third Quarter)

Financial Statements	
Balance Sheets	2
Statements of Operations	3
Statements of Comprehensive Loss	3
Statements of Shareholders' Equity	4
Mineral Exploration Properties and Deferred Exploration Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 23

Notice: The interim financial statements have not been reviewed by the Company's auditors.

Adventure Gold Inc.

(An Exploration Stage Company)

Balance Sheets

	April 30 2011 (unaudited) \$	July 31 2010 (audited) \$
ASSETS		
Current assets		
Cash and cash equivalents (Note 7)	420,641	604,218
Short-term investments (Note 7)	1,470,480	1,000,635
Marketable securities (Note 8)	1,178,800	861,450
Amount due from related party (Note 14)	1,503	729
Sales taxes receivable	139,702	52,994
Tax credit and mining duties receivable	572,946	192,975
Prepaid expenses	16,851	13,818
	<u>3,800,923</u>	<u>2,726,819</u>
Long-term investment (Note 9)	506,000	345,000
Equipment (Note 10)	6,323	749
Mineral exploration properties (Note 11)	394,054	349,546
Deferred exploration expenses (Note 11)	3,291,975	2,786,329
	<u>7,999,275</u>	<u>6,208,443</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	284,664	49,673
Provision for deferred exploration expenses	266,592	-
	<u>551,256</u>	<u>49,673</u>
Future income tax liability	605,992	605,992
	<u>1,157,248</u>	<u>655,665</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	6,594,485	4,797,069
Warrants (Note 13)	486,066	767,573
Agent options (Note 13)	-	51,904
Contributed surplus	789,864	477,565
Deficit	(1,222,638)	(507,233)
Accumulated other comprehensive income (loss)	194,250	(34,100)
	<u>6,842,027</u>	<u>5,552,778</u>
	<u>7,999,275</u>	<u>6,208,443</u>

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

Adventure Gold Inc.

(An Exploration Stage Company)

Statements of Operations Statements of Comprehensive Loss

Unaudited

	Three-month period ended		Nine-month period ended	
	2011	April 30 2010	2011	April 30 2010
	\$	\$	\$	\$
OPERATIONS				
Operating expenses				
Management and consulting fees	(28,307)	(22,500)	(77,501)	(67,500)
Stock-based compensation	–	–	(328,708)	(111,865)
Salaries and benefits	(37,200)	(8,816)	(97,757)	(22,245)
Travel and promotion	(25,151)	(4,967)	(91,730)	(13,419)
Report to shareholders	(1,426)	(2,517)	(8,072)	(14,954)
Professional fees	(4,254)	(8,677)	(50,599)	(39,022)
General expenses	(32,299)	(10,865)	(78,886)	(39,466)
Amortization of equipment	(150)	(75)	(300)	(225)
Flow-through interest and tax expense	–	(32)	–	(2,069)
Loss from operations	(128,787)	(58,449)	(733,553)	(310,765)
Other income				
Interest and dividend income	7,949	1,178	18,148	2,223
	7,949	1,178	18,148	2,223
Loss before income taxes	(120,838)	(57,271)	(715,405)	(308,542)
Future income tax recovery	–	10,793	–	61,899
Net loss	(120,838)	(46,478)	(715,405)	(246,643)
Basic and diluted net loss per common share	(0.002)	(0.001)	(0.014)	(0.007)
Basic and diluted weighted average number of common shares outstanding	52,591,905	40,045,136	50,145,600	35,534,980
COMPREHENSIVE LOSS				
Net loss	(120,838)	(46,478)	(715,405)	(246,643)
Other component of comprehensive loss:				
• Net variation on the latent gain on the financial assets available-for-sale	(110,800)	–	228,350	–
Comprehensive loss	(231,638)	(46,478)	(487,055)	(246,643)

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

Adventure Gold Inc.

(An Exploration Stage Company)

Mineral Exploration Properties and Deferred Exploration Expenses

Unaudited

	Three-month period ended		Nine-month period ended	
	April 30		April 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Balance, beginning of period	3,666,220	3,404,323	3,135,875	2,996,744
Add:				
Drilling	181,801	900	367,343	99,512
Project consulting	34,122	141,966	205,158	310,452
Geophysics	312,598	57,949	313,627	59,949
Geology	114,913	3,926	163,825	74,025
Geochemistry	79	–	79	1,334
Environment & Relation with the community	121	–	121	–
Licences and permits	6,385	3,749	8,985	12,988
General field expenses	10,823	5,451	35,465	31,476
	660,842	213,941	1,094,603	589,736
Option payments received (cash & common shares) (Note 11)	(282,500)	–	(282,500)	–
Gain on optioning of mineral exploration properties (Note 11)	–	–	–	–
Write-down of deferred exploration expenses (Note 11)	–	–	–	–
Acquisition of mineral exploration properties (Note 11)	21,438	10,894	118,022	42,678
Tax credits and mining duties	(379,971)	–	(379,971)	–
	(641,033)	10,894	(544,449)	42,678
Balance, end of period	3,686,029	3,629,158	3,686,029	3,629,158

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

Adventure Gold Inc.

(An Exploration Stage Company)

Statements of Cash Flows

Unaudited

	Three-month period ended		Nine-month period ended	
	2011	April 30 2010	2011	April 30 2010
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(120,838)	(46,478)	(715,405)	(246,643)
Non-cash items				
Stock-based compensation	–	–	328,708	111,865
Amortization	150	75	300	225
Future income tax recovery	–	(10,793)	–	(61,899)
Changes in working capital items	(88,938)	(1,799)	(52,299)	110,619
Cash flows from operating activities	(209,626)	(58,995)	(438,696)	(85,833)
INVESTING ACTIVITIES				
Short-term investments	37,753	–	(469,845)	–
Equipment	(1,500)	–	(5,874)	–
Mineral exploration properties and deferred exploration expenses	(616,410)	(174,736)	(936,668)	(560,749)
Option payments received	32,500	–	32,500	–
Tax credits and mining duties received	–	–	–	99
Cash flows from investing activities	(547,657)	(174,736)	(1,379,887)	(560,650)
FINANCING ACTIVITIES				
Provision for deferred exploration expenses	266,592	–	266,592	–
Common shares issued	452,577	791,318	1,368,414	1,794,068
Share issue expenses	–	(67,378)	–	(119,651)
Cash flows from financing activities	719,169	723,940	1,635,006	1,674,417
Net increase (decrease) in cash and cash equivalents	(38,114)	490,209	(183,577)	1,027,934
Cash and cash equivalents, beginning of period	458,753	893,843	604,218	356,118
Cash and cash equivalents, end of period	420,639	1,384,052	420,641	1,384,052
<i>Cash and cash equivalents:</i>				
<i>Cash</i>	420,641	755,899	420,641	755,899
<i>Cash equivalents</i>	–	628,153	–	628,153
	420,641	1,384,052	420,641	1,384,052

Additional disclosures of cash flows information (Note 7)

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

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Adventure Gold Inc. (the "Company" or "Adventure") incorporated on February 9, 2007 under the *Canada Business Corporations Act*, is involved in the acquisition, exploration and development of mineral resource properties. Its stock is listed on the TSX Venture Exchange under the symbol AGE.

Until it is determined that the Company's properties contain mineral reserves or resources that can be economically mined, they are classified as mineral exploration properties. The recoverability of mineral exploration property costs and deferred exploration expenses depends on the discovery of economically recoverable reserves and resources and the Company's ability to secure and maintain title and beneficial interest in the properties, to obtain the necessary financing to complete the exploration and development of the mining properties and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2 - GOING CONCERN ASSUMPTION

These unaudited interim financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities and pursue its exploration expenses in the normal course of operations. Management is of the opinion that, even without its capacity to continue to raise equity financing in the future, the Company will be able to maintain the status of its current exploration obligations and to keep its properties in good standing for at least the next twelve months.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company did not generate income and cash flows from its operations until now. These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise financing to further explore its mineral properties. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future. Management assesses its need for financing and its strategic alternatives, including potential changes to its exploration programs and its discretionary expenses.

The Company's financial statements do not include any adjustments to the carrying amount, to the expenses presented and to the reclassification of the balance sheet items that could be necessary should the Company be unable to continue its operations.

3 - BASIS OF PRESENTATION

The accompanying interim unaudited financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. They are consistent with the policies used in the preparation of our annual audited financial statements. These financial statements do not include all of the disclosures required by generally accepted principles for annual financial statements and should be read in conjunction with the annual financial statements and the accompanying notes of the Company for the year ended July 31, 2010.

In the opinion of management, these interim unaudited financial statements reflect all the adjustments considered necessary to a fair representation of the financial situation of the Company, as well as earnings and cash flows for the three-month and nine-month period ended April 30, 2011. The Company's revenues and expenses are subject to quarterly variations. Consequently, the results for any quarter are not necessarily indicative of the results of future periods.

The interim unaudited financial statements follow the same accounting policies used in the preparation of the most recent annual audited financial statements of the Company.

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

4 - FUTURE ACCOUNTING STANDARDS

International financial reporting standards ("IFRS")

In February 2008, Canada's Accounting Standards Board (AcSB) confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged into 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.

5 - 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 shareholder's 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 endure 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.

	As at April 30 2011 (unaudited) \$	As at July 31 2010 (audited) \$
Shareholder's equity	<u>6,842,027</u>	<u>5,552,778</u>
	<u>6,842,027</u>	<u>5,552,778</u>

6 - SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital items are detailed as follows:

	Three-month period ended April 30		Nine-month period ended April 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Accounts receivable	(1,503)	7,039	(1,503)	53,022
Amount due from related party	-	374	729	-
Sales taxes receivable	(92,158)	-	(86,708)	-
Prepaid expenses	(5,119)	(9,041)	(3,033)	(4,837)
Accounts payable and accrued liabilities	9,842	8,142	38,216	25,063
Amount due to related party	-	(8,313)	-	37,371
	<u>(88,938)</u>	<u>(1,799)</u>	<u>(52,299)</u>	<u>110,619</u>

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

6 - SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

Additional disclosures of cash flows information	Three-month period ended April 30		Nine-month period ended April 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Non-cash investing and financing activities:				
Mineral properties and deferred exploration in accounts payable and accrued liabilities	205,975	74,836	205,975	74,836
Deferred exploration expenses included in due to related party	–	2,963	–	2,963
Capital stock issued in consideration of mineral exploration properties	–	–	34,500	10,500
Warrants issued to acquire interest in mineral exploration properties	–	–	44,683	10,898
Common shares issued in payment of due to related party	–	–	–	66,690

7 - CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

As at April 30, 2011, cash and cash equivalents total \$420,639 (\$604,218 as at July 31, 2010) and include a null balance of its investment savings account (\$555,536 in cash equivalents as at July 31, 2010).

As at April 30, 2011, short-term investments total \$1,470,480 (\$1,000,635 as at July 31, 2010) and consist of guaranteed investment certificates and bonds with interest rates ranging from 1.35% to 1.70% and maturities at the date of acquisition ranging from 3 months to 12 months.

8 - MARKETABLE SECURITIES

	As at April 30 2011		
	Cost	Unrealized (loss) gain	Fair value
	\$		\$
15,000 common shares of Agnico-Eagle Mines Ltd. (1)	872,550	116,250	988,800
1,000,000 common shares of Mazorro Resources Inc. (2)	250,000	(60,000)	190,000
	<u>1,122,550</u>	<u>56,250</u>	<u>1,178,800</u>
			As at July 31 2010
	Cost	Unrealized loss	Fair value
	\$		\$
15,000 common shares of Agnico-Eagle Mines Ltd. (1)	872,550	(11,100)	861,450
	<u>872,550</u>	<u>(11,100)</u>	<u>861,450</u>

(1) On July 26, 2010, the Company received 15,000 shares of Agnico-Eagle Mines Ltd. ("AEM"), valued at \$872,550, in accordance with the terms of the Dubuisson option agreement (Note 10a).

(2) On April 18, 2011, the Company received 1,000,000 shares of Mazorro Resources Inc. ("MZO"), valued at \$250,00, in accordance with the terms of the Lapaska option agreement (Note 10a).

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

9 - LONG-TERM INVESTMENT

	As at April 30 2011		
	Cost	Unrealized gain	Fair value
	\$		\$
2,300,000 common shares of RT Minerals Corp. (1)	368,000	138,000	506,000
	<u>368,000</u>	<u>138,000</u>	<u>506,000</u>
			As at July 31 2010
	Cost	Unrealized (loss) gain	Fair value
	\$		\$
2,500,000 common shares of RT Minerals Corp. (1)	400,000	(25,000)	375,000
200,000 commons shares of RT Minerals Corp. due to initial Meunier Optionors (1)	(32,000)	2,000	(30,000)
	<u>368,000</u>	<u>(23,000)</u>	<u>345,000</u>

(1) On May 25, 2010, the Company received 2,500,000 shares of RT Minerals Corp. ("RTM"), valued at \$400,000, in accordance with the terms of the Meunier 144 option agreement (Note 10c). As consideration for their approval of the option agreement with RTM, 200,000 of the RTM shares, valued at \$32,000, shall be transferred to the initial Optionors on the Meunier 144 property, no later than October 31, 2010. They have been presented as a reduction of long-term investments. On October 28, 2010, 200,000 of the RTM shares were transferred to the initial Optionors on the Meunier 144 property. The Company does not exercise significant influence over RTM.

10 - EQUIPMENT

	As at April 30 2011		
	Cost	Accumulated amortization	Net Book Value
	\$		\$
Office furniture and equipment	7,372	1,049	6,323
	<u>7,372</u>	<u>1,049</u>	<u>6,323</u>
			As at July 31 2010
	Cost	Accumulated amortization	Net Book Value
	\$		\$
Office furniture and equipment	1,498	749	749
	<u>1,498</u>	<u>749</u>	<u>749</u>

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

11 - MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENSES

	Mineral exploration properties		
	Balance as at July 31 2010	Property payments	Balance as at April 30 2011
	\$	\$	\$
Val d'Or East / Pascalis-Colombière	62,500	–	62,500
Val d'Or East / Senore	126,000	–	126,000
Val d'Or East / Beaufor North	8,421	–	8,421
Val d'Or East / Beaufor West	8,421	–	8,421
Val d'Or East / Lapaska	72,982	(72,982)	–
Val d'Or East / Others	3,404	104	3,508
Detour Quebec	12,686	2,132	14,818
Casa Cameron	38,272	19,774	58,046
Appalaches	10,946	3,978	14,924
Granada Extension	–	92,034	92,034
Abitibi Gold	5,914	(532)	5,382
	<u>349,546</u>	<u>44,508</u>	<u>394,054</u>
	Deferred exploration expenses		
	Balance as at July 31 2010	Expenditures	Balance as at April 30 2011
	\$	\$	\$
Timmins West / Meunier-144	–	1,821	1,821
Val d'Or East / Pascalis-Colombière	545,533	307,186	852,719
Val d'Or East / Senore	642,799	1,658	644,457
Val d'Or East / Beaufor North	177,328	394	177,722
Val d'Or East / Beaufor West	173,003	586	173,589
Val d'Or East / Lapaska	837,505	(165,515)	671,990
Val d'Or East / Others	38,651	11,092	49,743
Dubuisson	–	3,265	3,265
Detour Quebec	132,822	167,241	300,063
Casa Cameron	206,432	71,660	278,092
Appalaches	3,376	12,535	15,911
Granada Extension	–	74,646	74,646
Abitibi Gold	28,880	19,077	47,957
	<u>2,786,329</u>	<u>505,646</u>	<u>3,291,975</u>

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

11 - MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENSES (Continued)

	Mineral exploration properties		
	Balance as at		Balance as at
	July 31	Property	April 30
	2009	payments	2010
	\$	\$	\$
Timmins West / Meunier-144	216,500	–	216,500
Val d'Or East / Pascalis-Colombière	62,500	–	62,500
Val d'Or East / Senore	51,000	–	51,000
Val d'Or East / Beaufor North	8,421	–	8,421
Val d'Or East / Beaufor West	8,421	–	8,421
Val d'Or East / Lapaska	72,982	–	72,982
Val d'Or East / Others	1,258	2,132	3,390
Dubuisson	92,632	–	92,632
Detour Quebec	3,066	9,256	12,322
Casa Cameron	10,456	24,903	35,359
Abitibi Gold	2,432	4,982	7,414
Appalaches	–	1,404	1,404
	<u>529,668</u>	<u>42,677</u>	<u>572,345</u>
	Deferred exploration expenses		
	Balance as at		Balance as at
	July 31		April 30
	2009	Expenditures	2010
	\$	\$	\$
Timmins West / Meunier-144	156,571	15,642	172,213
Val d'Or East / Pascalis-Colombière	378,177	165,663	543,840
Val d'Or East / Senore	636,418	5,688	642,106
Val d'Or East / Beaufor North	175,360	1,967	177,327
Val d'Or East / Beaufor West	170,778	2,841	173,619
Val d'Or East / Lapaska	779,676	59,054	838,730
Val d'Or East / Others	11,389	36,087	47,476
Dubuisson	132,768	54,865	187,633
Detour Quebec	7,469	121,546	129,015
Casa Cameron	14,586	102,884	117,470
Abitibi Gold	3,884	20,512	24,396
Appalaches	–	2,988	2,988
	<u>2,467,076</u>	<u>589,737</u>	<u>3,056,813</u>

1) Val d'Or East / Beaufor North, Val d'Or East / Beaufor West, Val d'Or East / Lapaska and Dubuisson

On February 26, 2007, the Company signed an agreement with Q.E.X. Resources Inc. whereby the Company acquired a 100% interest in four properties: Beaufor West, Beaufor North, Lapaska and Dubuisson, situated in the north-western part of Québec, in exchange for the issuance of 1,824,455 common shares, valued at \$182,456. Beaufor is subject to a royalty of 1.5% Net Smelter Return ("NSR"), shared equally between Albert Audet and Geotest Corporation Ltd., and affecting also all claims acquired through staking within two miles of the Property. Dubuisson is subject to a royalty of \$25 on the first 30,000 ounces of gold extracted from the Property and thereafter subject to a 2% NSR royalty, of which half (1%) may be purchased within two (2) years after commercial production, with a right of first refusal of ninety (90) days on the second half.

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

11 - MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENSES (Continued)

In July 2010, the Company entered into an option agreement with AEM, whereby AEM acquired a 51% interest in the Dubuisson property ("the Property") by making a cash payment of \$100,000 and issuing 15,000 shares of AEM to the Company, valued at \$872,550. Also, under the terms of the agreement, AEM can acquire an additional 14% interest in the Property by spending \$4M in exploration work over a five year period, with a minimum of \$600,000 of work to be completed or paid in cash to the Company before the end of the first two years. Following the exercise of the second option, AEM can acquire an additional 5% interest in the Property by completing a Bankable Feasibility Study.

In April 2011, the Company entered into an option agreement with Mazorro Resources Inc. ("Mazorro"), whereby Mazorro acquired an exclusive option to earn up to 70% in 26 claims covering an area of approximately 352 hectares of the Company's Lapaska Gold property in Val d'Or East area, by spending \$7.7M in exploration expenditures, issuing 3,000,000 shares of Mazorro, paying \$250,000 in cash payment and paying \$2,000,000 (in cash and shares) over the next 6 years. The Company will be the operator until Mazorro earns 70% interest.

Under the terms of the option agreement, in order to acquire an initial 50% undivided interest in the Property (the "First Option"), Mazorro Resources Inc. is required to provide total cash payments of \$250,000, a total of 3,000,000 common shares and has committed to conduct exploration of \$1,700,000 over a period of three years from the completion of a definitive option agreement. Consideration payable is summarized as follows:

	<u>Cash</u> <u>Payments</u> \$	<u>Shares</u>	<u>Exploration</u> <u>Expenses</u> \$
On April 18, 2011	25,000 ⁽¹⁾	1,000,000 ⁽²⁾	-
On or before April 18, 2012	25,000	500,000	500,000
On or before April 18, 2013	50,000	500,000	500,000
On or before April 18, 2014	<u>150,000</u>	<u>1,000,000</u>	<u>700,000</u>
	<u>250,000</u>	<u>3,000,000</u>	<u>1,700,000</u>

(1) This cash payment was made on the date noted in the agreement.

(2) These common shares were issued on April 18, 2011 at a price of \$0.25 per share.

Following the exercise of the First Option, Mazorro Resources Inc. shall have the option to acquire an additional 20% undivided interest in the Property (the "Second Option"), thereby acquiring a total undivided interest of 70%, by making additional cash payments of \$2,000,000 and by conducting additional exploration of \$6,000,000 over another three year period. Mazorro Resources Inc. 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 Exchange, subject to the required regulatory and corporate approvals, including disinterested shareholder approval, as applicable. After the Second Option periods, Mazorro Resources Inc. shall be entitled to become the operator of the Property.

2) Val d'Or East / Pascalis-Colombière

Val d'Or East / Pascalis-Colombière consist of the following mining claims: Pascalis-Colombière and Senore. On March 17, 2008, the Company signed an agreement with IAMGOLD Quebec Management Inc. ("IAMGOLD") to acquire a 100% interest in Pascalis-Colombière gold property located northeast of Val d'Or, Québec in exchange for the issuance of 250,000 common shares. The shares were issued on March 17, 2008 at a price of \$0.25 per share. The property is subject to a 2% NSR of which half (1%) may be purchased at any time by the Company for \$1 million. The property is also subject to a 1% gross sale royalty and a 20% net proceeds of production royalty on some of the property's claims, payable to Alain Garneau and Tiomin Resources Inc., respectively.

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

11 - MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENSES (Continued)

3) Val d'Or East / Senore

On July 8, 2008, the Company signed an option agreement with Peter Bambic (the "Optionor") in order to acquire a 100% interest in the Senore property, located 22 kilometers northeast of Val d'Or, Québec by paying \$200,000, issuing 1,000,000 common shares and incurring \$400,000 in exploration expenses over a period of three years.

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

	Cash Payments \$	Shares	Exploration Expenses \$
On July 8, 2008	10,000 ⁽¹⁾	—	—
On August 6, 2008	—	100,000 ⁽²⁾	—
On or before July 8, 2009	10,000 ⁽¹⁾	100,000 ⁽³⁾	150,000 ⁽⁵⁾
On or before July 8, 2010	30,000 ⁽¹⁾	300,000 ⁽⁴⁾	250,000 ⁽⁵⁾
On or before July 8, 2011	150,000	500,000	—
	<u>200,000</u>	<u>1,000,000</u>	<u>400,000</u>

(1) These cash payments were made on the dates noted in the agreement.

(2) These common shares were issued on August 6, 2008 at a price of \$0.175 per share.

(3) These common shares were issued on July 16, 2009 at a price of \$0.135 per share.

(4) These common shares were issued on July 8, 2010 at a price of \$0.15 per share.

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

The Optionor retains a 3% NSR on two mineral claims and 2% NSR on the balance of the Property. The Company has the right to buy back at any time 50% of the NSR for, \$2,000,000 and \$1,000,000, respectively.

4) Timmins West / Meunier-144

On July 8, 2008, and as amended on June 1, 2009, and May 5, 2010, the Company entered into an option agreement with a group of prospectors (the "Optionors") in order to acquire a 100% interest in the Meunier 144 gold property located 19 kilometers west of Timmins, Ontario, by paying \$125,000, issuing 1,000,000 common shares and 200,000 warrants and incurring \$1,650,000 in exploration expenses.

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

	Cash Payments \$	Shares	Warrants	Exploration Expenses \$
On July 18, 2008	25,000 ⁽¹⁾	700,000 ⁽²⁾	—	—
On or before July 8, 2009	25,000 ⁽¹⁾	150,000 ⁽³⁾	—	150,000 ⁽⁶⁾
On or before July 8, 2010	75,000 ⁽¹⁾	150,000 ⁽⁴⁾	200,000 ⁽⁵⁾	—
On or before December 31, 2010	—	—	—	500,000 ⁽⁶⁾
On or before December 31, 2011	—	—	—	1,000,000
	<u>125,000</u>	<u>1,000,000</u>	<u>200,000</u>	<u>1,650,000</u>

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

11 - MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENSES (Continued)

- (1) These cash payments were made on the dates noted in the agreement.
 (2) These common shares were issued on July 18, 2008 at a price of \$0.21 per share.
 (3) These common shares were issued on July 8, 2009 at a price of \$0.13 per share.
 (4) These common shares were issued on July 8, 2010 at a price of \$0.15 per share.
 (5) These warrants were issued on July 8, 2010, each warrant entitling the holder to purchase one common share of the Company at a price of \$0.20 for a period of 5 years.
 (6) These exploration expenses were incurred on or before the date noted in the agreement.

The property is also subject to a 2.5% NSR of which a 1% NSR may be purchased at any time by the Company for \$2,000,000.

On May 5, 2010, the Company entered into an option agreement with RTM and Lake Shore Gold Corp. ("LSG") whereby RTM can acquire up to 50% of the Company's right, title and interest in the Meunier 144 property. RTM can earn an initial 25% interest in the property by making a cash payment of \$300,000, issuing 2,500,000 shares of RTM to the Company and incurring exploration costs of \$1,500,000.

To earn its initial 25% interest, RTM must make cash payments, issue common shares and incur exploration expenses in the following timelines:

	Cash Payments \$	Shares	Exploration Expenses \$
On May 27, 2010	300,000 ⁽¹⁾	2,500,000 ⁽²⁾	-
On October 28, 2010	-	(200,000) ⁽²⁾	-
On or before October 31, 2010	-	-	500,000 ⁽³⁾
On or before October 31, 2011	-	-	1,000,000
	<u>300,000</u>	<u>2,300,000</u>	<u>1,500,000</u>

- (1) Cash payment was received on the date noted in the agreement.
 (2) The RTM shares, valued at \$400,000, were received on May 25, 2010. On October 28, 2010, 200,000 of the RTM shares were transferred to the initial Optionors on the Meunier 144 property. They have been presented as a reduction of marketable securities. As at October 31, 2010, the Company held 2,300,000 RTM shares.
 (3) These exploration expenses were incurred on or before the date noted in the agreement.

As consideration for the firm RTM commitments, the Company issued 500,000 compensation warrants to RTM, each warrant entitling RTM to purchase one common share of the Company at a price of \$0.20 until May 27, 2011. As consideration for the approval of the option agreement with RTM as well as amendments to the initial option agreement, 200,000 of the 2,500,000 shares of RTM were transferred to the Optionors, on October 28, 2010.

RTM can earn an additional 25% interest in the property by issuing to the Company an additional 250,000 shares of RTM and incurring an additional \$1,500,000 in exploration costs by no later than October 31, 2013.

As part of the agreement, following the exercise of the second option by RTM and for a period of up to 10 years, LSG may acquire from the Company and RTM a 10% interest in the property by carrying out a Preliminary Resource Assessment on any NI 43-101 resources identified by RTM or the Company on the property and by reimbursing RTM and/or the Company for any costs associated with the initial NI 43-101 report.

5) Val d'Or East / Others

Val d'Or East / Others consist of the following mining claims located in the Abitibi region that the company acquired by staking and map-designation in 2008, 2009 and 2010: Monique. Megiscane-Tavernier and Realore.

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

11 - MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENSES (Continued)

6) Detour Quebec

Detour Quebec consist of the following mining claims located in the Abitibi region that the company acquired by staking and map-designation in 2008, 2009 and 2010: Casgrain. Fenelon, Massicotte, Sainte-Helene, Martigny, Manthet, Sicotte, Realore and Casgrain Base Metal.

7) Casa Cameron

On August 12, 2009, the Company acquired from five independent prospectors (the "Vendors"), a 100% interest in the Bruneau Gold Property, located 45 kilometers southeast of Matagami, Quebec, in consideration for a cash payment of \$2,000 and the issuance of 100,000 common shares (valued at \$10,500) and 100,000 warrants at an exercise price of \$0.25 until August 12, 2012 (valued at \$10,898). An area of interest in this property is subject to a 2% NSR in favour of the Vendors, of which 1% can be bought back by the Company at any time by paying the Vendors \$500,000.

Other Casa Cameron properties consist of the following mining claims that the company acquired by staking and map-designation in 2008, 2009 and 2010, located in the north-western part of Quebec, in the Abitibi region: Cere, Bell-Vezza, Casagosic, KLM and Florence.

8) Appalaches

During the summer 2010, the company has acquired significant ground in the Appalache Belt. A total of 190 mining claims for 11,225 hectares have been acquired by map designation at this time in two distinct blocks in the Appalache belt, South-eastern of Quebec, Canada. These two properties named Stoke and St-Francois are located about at 53 Km south-east and 23 south-west of Thetford Mines and 155 km and 200 Km east of Montreal, Québec, Canada.

9) Granada Extension

On September 21, 2010 and amended on October 8, 2010, the Company signed an option agreement with two individuals (the "Optionors") in order to acquire a 100% interest in three of the eleven claims acquired by the Company. The Granada Extension property covering approximately 200 hectares, is located along the Cadillac Larder Lake Gold Break, in the Rouyn-Noranda mining camp, Québec.

To earn its 100% interest, the Company must make cash payments and issue common shares and warrants in the following timelines:

	<u>Cash</u> <u>Payments</u> \$	<u>Shares</u>	<u>Warrants</u> \$
On October 5, 2010	10,000 ⁽¹⁾	-	-
On October 27, 2010	-	150,000 ⁽²⁾	150,000 ⁽³⁾
On or before August 31, 2011	10,000	-	-
On or before August 31, 2012	10,000	-	-
On or before August 31, 2013	10,000	-	-
On or before August 31, 2014	10,000	-	-
	<u>50,000</u>	<u>150,000</u>	<u>150,000</u>

(1) Cash payment was made on the dates noted in the agreement.

(2) These common shares were issued on October 27, 2010 at a price of \$0.23 per share.

(3) These warrants were issued on October 27, 2010, each warrant entitling the holder to purchase one common share of the Company at a price of \$0.25 for a period of 5 years.

The Optionors retains a 1,5% NSR on three mineral claims. The Company has the right to buy back at any time a 0,5% of the NSR for \$5000,000.

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

11 - MINERAL EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENSES (Continued)

10) Abitibi Gold

Abitibi Gold consist of the following mining claims located in the Abitibi region that the company acquired by staking and map-designation in 2008, 2009 and 2010: Evain, Destor, Montreuil, Dalquier, Bourniol and Solitaire.

In February 2011, the Company entered into an option agreement with Société d'exploration minière Vior Inc. ("Vior"), whereby Vior acquired an exclusive option of 100% interest of Bourniol property in 12 claims in the district of Abitibi, by paying \$7,500 in cash payment and a 2% NSR. Vior retains the right, at any time to purchase 1 of the 2 percentage points of the Royalty by paying the Company the sum of \$1,000,000.

12 - FLOW-THROUGH INTEREST AND TAX EXPENSE

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resources expenditures to investors in advance of the Company incurring the expenditures. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the expenditures. The Company begins incurring interest charges for unspent funds after one month.

As at April 30, 2011, the Company has incurred the total required flow-through expenditures of 2009 and 2010 and met the deadline requirement for incurring those expenditures.

13 - CAPITAL STOCK

Authorized

Unlimited number of common shares without par value.

Issued and outstanding shares

The issued and outstanding common shares are disclosed in the Interim Statement of Shareholders' Equity.

Warrants

A summary of the Company's warrants outstanding as at April 30, 2011 and July 31, 2010 is presented below:

	April 30, 2011 (unaudited)		July 31, 2010 (audited)	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
Outstanding at beginning	14,110,030	0.20	3,877,356	0.21
Issued	150,000	0.25	11,492,175	0.19
Exercised	(6,072,428)	0.20	(704,973)	0.16
Expired	(25,000)	0.20	(554,528)	0.25
Outstanding at end	8,162,602	0.20	14,110,030	0.20

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

13 - CAPITAL STOCK (Continued)

The following table summarizes information on warrants outstanding as at April 30, 2011:

Expiry date	Exercise price \$	Number of shares
December 2011	0.16	4,336,692
December 2011	0.13	99,330
April 2012	0.18	370,000
April 2012	0.27	1,885,000
May 2012	0.20	200,000
May 2012	0.27	1,000,000
July 2015	0.20	196,580
October 2015	0.25	75,000
		8,162,602

Agent options

During the three-month and nine-month period ended April 30, 2011, the Company granted 196,428 agent options following the exercise of 392,857 held by the agent at an exercise price of \$0.25 per share, expiring on October 30, 2010. Each option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.06 per option at the grant date for a total of \$12,422 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	118.3%
Risk-free interest rate	1.39%
Expected life	10 days

A summary of the Company's agent options outstanding as at April 30, 2011 and July 31, 2010 is presented below:

	April 30, 2011 (unaudited)		July 31, 2010 (audited)	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Outstanding at beginning	392,857	0.14	392,857	0.14
Granted	196,428	0.25	-	-
Exercised	(589,285)	0.18	-	-
Outstanding at end	-	-	392,857	0.14

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

13 - CAPITAL STOCK (Continued)

Stock option plan and stock-based compensation

The Company has a stock option plan approved by its shareholders. The maximum number of common shares which may be issued under the plan is equal to 4,970,000 (formerly 3,000,000 amended by a resolution dated December 8, 2010). These options may be granted to the Company's employees, officers, directors, and non-employees, subject to regulatory approval. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the option. Options have a maximum term of five years and terminate 90 days following the termination of the optionee's employment, except in cases of death. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted. During the nine-month period ended April 30, 2011 and the year ended July 31, 2010, all options granted vested at the date they were granted.

The Plan provides that the maximum number of common shares that may be reserved for issuance under it shall not exceed 2,136,560 common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to it may not exceed 5% (2% for consultants) of the common shares outstanding at the time of grant. The options are vested at the date of the grant unless additional restrictions on the vested date imposed by the Board of Directors except for investor relation consultants who may receive options, these options are vested over a 12-month period on the basis of 25% in each quarter. The option period is a period of time fixed by the Board of Directors but cannot exceed 10 years (formerly 5 years amended by a resolution dated December 8, 2010). The options are not transferable.

During the three-month period ended April 30, 2011, the Company granted 75,000 stock options to a director at an exercise price of \$0.39 per share, expiring on November 5, 2015. Each option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.32 per option at the grant date for a total of \$23,732 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	118.2%
Risk-free interest rate	2.06%
Expected life	5.0 years

During the three-month period ended April 30, 2011, the Company granted 450,000 stock options to directors, officers, employees and consultants at an exercise price of \$0.53 per share, expiring on December 8, 2020. Each option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.48 per option at the grant date for a total of \$216,795 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	117.1%
Risk-free interest rate	3.25%
Expected life	10.0 years

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

13 - CAPITAL STOCK (Continued)

During the nine-month period ended April 30, 2011, the Company granted 600,000 stock options to directors, officers and consultants at an exercise price of \$0.19 per share, expiring on September 10, 2015. Each option entitles the holder to acquire one common share. The fair value of the options was estimated at \$0.15 per option at the grant date for a total of \$88,181 using the Black-Scholes option pricing model. The assumptions used for the calculation were:

Expected dividend yield	0.0%
Expected volatility	111.0%
Risk-free interest rate	2.25%
Expected life	5.0 years

During the nine-month period ended April 30, 2011, a compensation expense of \$328,708 was recognized for options granted and the corresponding credit was recognized in contributed surplus.

A summary of the Company's stock options outstanding as at April 30, 2011 and July 31, 2010 is presented below:

	April 30, 2011 (unaudited)		July 31, 2010 (audited)	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
		\$		\$
Outstanding at beginning	2,250,000	0.21	1,590,000	0.23
Granted	1,125,000	0.34	770,000	0.19
Exercised	(130,000)	0.21	-	-
Forfeited	(5,000)	0.19	(110,000)	0.25
Outstanding at end	3,240,000	0.26	2,250,000	0.21

The following table summarizes information on outstanding stock options as at April 30, 2011:

Expiry date	Exercise price	Number of options outstanding
	\$	
November 2012	0.27	800,000
June 2013	0.19	50,000
October 2013	0.19	300,000
March 2014	0.14	220,000
January 2015	0.19	745,000
September 2015	0.19	600,000
November 2015	0.39	75,000
December 2020	0.53	450,000
		<u>3,240,000</u>

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

14 - RELATED PARTY TRANSACTIONS

Under a cost sharing agreement between the Company and Everton Resources Inc. ("Everton"), 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 three-month and nine-month period ended April 30, 2011, the cost of shared salaries and benefits was respectively \$7,500 and \$30,000 (2010 - \$22,500 and \$67,500) and rent and office expenses were respectively \$500 and \$2,000 (2010 - \$1,500 and \$4,500). Included in amount due to related party is \$Nil (\$Nil as at July 31, 2010) due to Everton. 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 and office expenses incurred on behalf of Focus for a total of \$1,035 and \$3,207 (2010 - \$3,158 and \$47,466) respectively for the three-month and nine-month period ended April 30, 2011 and the Company was charged by Focus, at cost, for exploration expenses incurred on behalf of the Company for a total of \$1,084 and \$10,266 (2010 - \$Nil) respectively for the three-month and nine-month period ended April 30, 2011. Included in amount due from related party is \$1,503 (\$729 as at July 31, 2010) due from Focus.

Under an agreement between the Company and Atwater Financial Group ("Atwater"), (which shares common management), Atwater invoiced the Company \$30,000 and \$47,500 (2010 - \$Nil) respectively for the three-month and nine-month period ended April 30, 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 April 30, 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.

The amounts due from/to related parties are without interest or specific terms of repayment.

15 - FINANCIAL INSTRUMENTS

The classification of financial instruments as at April 30, 2011 and July 31, 2010 and their respective carrying values and fair values were as follows:

	April 30 2011	July 31 2010
	\$	\$
Held for trading (at fair value)		
Cash and cash equivalents	420,641	604,218
Short-term investments	1,470,480	1,000,635
Available for sale (at fair value)		
Marketable securities	1,178,800	861,450
Long-term investment	506,000	345,000
Loans and receivables (at amortized cost)		
Amount due from related party	1,503	729
Other financial liabilities (at amortized cost)		
Accounts payable and accrued liabilities	284,664	49,673

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

16 - FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Financial risks

The Company's main financial risk exposure and its financial risk management policies are as follows :

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-today 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 \$3,249,667 as at April 30, 2011, including cash and cash equivalents of \$420,641, short-term investments of \$1,470,480, marketable securities of \$1,178,800 and current liabilities totalling \$551,257. 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 (Note 11), 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 April 30, 2011, cash equivalents and short-term investments total \$1,965,955 (\$1,556,171 at July 31, 2009) and interest income derived from these investments during the nine-month period was \$10,199 (\$1,045 – 2009).

Market risk

The Company holds publicly listed shares of companies in the mineral exploration industry. The Company is exposed to market risk in trading these shares and unfavourable market conditions could result in the disposal at less than their value at April 30, 2011. At April 30, 2011, the value of these listed shares is \$1,684,800 (\$1,206,450 at July 31, 2010). At April 30, 2011, had the bid price for these publicly listed shares been 10% lower, the comprehensive income for the nine-month period would have been approximately \$168,480 lower. Conversely, had the bid price been 10% higher, the comprehensive income for the nine-month period would have been approximately \$168,480 higher.

Adventure Gold Inc.

(An Exploration Stage Company)

Notes to Financial Statements

As at April 30 2011

Unaudited

17 - SEGMENTED INFORMATION

The Company has determined that it only operates in one segment, being the acquisition, exploration and development of mineral properties with the aim of discovering commercially exploitable deposits of minerals. All of the long-term assets are held in Canada.

18 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

19 - SUBSEQUENT EVENTS

In June 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 kilometers 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	500,000 ⁽¹⁾	100,000 ⁽²⁾
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) Initial shares to be issued within 5 business days from receipt of TSX Venture Exchange acceptance.

(2) To be incurred by July 31, 2011.

Following the exercise of the Option, Mazorro will grant the Company a royalty (the "Royalty") equal to two and one-half percent (2.5%) in aggregate of the net smelter returns on all mineral claims of the Property. Mazorro retains the right, at any time to purchase 1 of the 2.5 percentage points of the Royalty by paying the Company the sum of \$1,500,000. This transaction is subject to the receipt of any required regulatory approvals including acceptance of the TSX Venture Exchange. A director of the Company is also a director of Mazorro.