ValGold Resources Ltd.
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

January 31, 2018 and 2017

NOTICE TO READER

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

The following condensed consolidated interim financial statements of ValGold Resources Ltd. have been prepared by and are the responsibility of the management of ValGold Resources Ltd.

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

April 2, 2018

Table of Contents for the Condensed Consolidated Interim Financial Statements for the Three Months and Six Months Ended January 31, 2018 and 2017

ValGold Resources Ltd.
(An Exploration Stage Company)

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

		January 31, 2018 (unaudited)		July 31, 2017 (audited)
Assets				
Current assets				
Cash and cash equivalents	$	**747,433**	$	9,039
Subscriptions Receivable *(note 4)*		**-**		-
Accounts receivable and prepaid expenses		**20,764**		9,367
Investments *(note 7)*		**1**		1
		768,198		18,407
Non-current assets				
Buildings and equipment *(note 5)*		**701**		-
Mineral property interests *(note 6)*		**2**		2
		703		2
Total Assets	$	**768,901**	$	18,409
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	**325,569**	$	339,550
Due to related parties *(note 10)*		**57,767**		72,770
Convertible debentures *(note 8)(note 15)*		**-**		257,977
		383,336		670,297
Non-current liabilities				
Deferred tax liabilities (*note 15)*		**-**		-
Total Liabilities		**383,336**		670,297
Equity				
Share capital *(note 9)*	$	**56,604,304**		55,835,010
Warrant reserves *(note 9(c))*		**294,558**		4,983
Convertible debentures conversion feature *(note 8)*		**-**		4,983
Reserves *(note 9(b))*		**4,643,579**		4,496,856
Deficit		**(61,156,876)**		(60,993,720)
		385,565		(651,888)
Total Liabilities and Equity	$	**768,901**	$	18,409

Nature of Operations and Liquidity *(note 1)*
Contingencies *(note 17)*

Approved by the Board and authorized for issue on April 2, 2018.

"Kevin Snook" *"Rhoderic C. Whyte"*

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

ValGold Resources Ltd.
(An Exploration Stage Company)

Consolidated Statements of Comprehensive Profit and Loss
for the three and six months ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the six months ended	
	January 31, 2018	January 31, 2017	**January 31, 2018**	January 31, 2017
Exploration costs *(note 14)*	**$ 900**	$ 450	**$ 1,340**	$ 1,484
Travel and conferences	**1,689**	1,673	**2,363**	1,673
Salaries and benefits	-	-	-	-
Office and administration	**3,312**	3,563	**5,516**	7,334
Legal, accounting and audit	**3,214**	3,958	**5,214**	5,718
Shareholder communications	**4,265**	3,512	**5,531**	4,816
Share-based Payments	**-**	-	**138,750**	-
Depreciation	64	-	64	625
	13,444	13,156	**158,778**	21,650
Interest expense *(note 8)*	**-**	5,650	**4,378**	11,180
Gain on debt settlement, forgiveness&expiration *(note 16)*	-	(19,699)	-	(35,313)
Income (Loss) before income taxes	**(13,444)**	893	**(163,156)**	2,483
Deferred income tax recovery (*note 8)*	-	-	-	-
Income (Loss) for the period	**$ (13,444)**	$ 893	**$ (163,156)**	$ 2,483
Income (Loss) per common share basic and diluted	**$ (0.000)**	$ 0.000	**$ (0.003)**	$ 0.000
Weighted average number of common shares outstanding (basic and diluted)	**55,548,254**	38,250,407	**49,249,581**	38,250,407

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

Consolidated Statements of Comprehensive Profit and Loss
for the three and six months ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the six months ended	
	January 31, 2018	January 31, 2017	**January 31, 2018**	January 31, 2017
Profit (loss) for the period	**$ (13,444)**	$ 893	**$ (163,156)**	$ 2,483
Comprehensive profit (loss)	**$ (13,444)**	$ 893	**$ (163,156)**	$ 2,483

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

ValGold Resources Ltd.
(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity
for the six months ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital												
	Shares		Amount		Convertible Debentures Conversion Feature		Warrants		Reserves		Accumulated Deficit		Total Shareholders' Equity
Balance, August 1, 2016	38,250,407	$	55,835,010	$	4,983	$	4,983	$	4,496,856	$	(60,921,098)	$	(579,266)
Convertible debentures	-		-		-		-		-		-		-
Warrants expired	-		-		-		-		-		-		-
Profit (Loss) for the period	-		-		-		-		-		1,590		1,590
Balance, January 31, 2017	38,250,407	$	55,835,010	$	4,983	$	4,983	$	4,496,856	$	(60,919,508)	$	(577,676)
Balance, August 1, 2017	**38,250,407**	**$**	**55,835,010**	**$**	**4,983**	**$**	**4,983**	**$**	**4,496,856**	**$**	**(60,993,720)**		**(651,888)**
Private Placement of Units	**15,697,847**		**687,301**		-		**294,558**		-		-		**981,858**
Warrants exercised	**1,600,000**		**81,993**		-		**(1,993)**		-		-		**80,000**
Warrants expired	-		-		-		**(2,990)**		**2,990**		-		**-**
Convertible Debentures Redeemed	-		-		**(4,983)**		-		**4,983**		-		**-**
Options Granted	-		-		**-**		-		**138,750**		-		**138,750**
Profit (Loss) for the period	-		-		-		-		-		**(163,156)**		**(163,156)**
Balance, January 31, 2018	**55,548,254**	**$**	**56,604,304**	**$**	**-**	**$**	**294,558**	**$**	**4,643,579**	**$**	**(61,156,876)**	**$**	**385,565**

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

Consolidated Statements of Cash Flows
For the six months ended January 31, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	For the six months ended January 31, 2018	January 31, 2017
Cash flow from operating activities		
Profit (Loss) for the period	$ **(163,156)**	$ 2,483
Items not affecting cash		
Depreciation	**64**	625
Share-based compensation	**138,750**	-
Accrued interest on convertible debentures	**-**	11,180
Changes in working capital		
Accounts receivable and prepaids	**(11,397)**	5,890
Due to related parties	**(15,003)**	(906)
Accounts payable and accrued liabilities	**(13,981)**	(52,042)
	(64,723)	(32,770)
Cash flows provided by investing activities		
Proceeds on sale of investments	**-**	-
Cash flows from capital investments	**(765)**	-
	(765)	-
Cash-flows from financing activities		
Units issued for cash (net of issuance costs)	**978,869**	-
Exercise of warrants	**80,000**	-
Increase (decrease) in non-share based compensation reserves	**7,973**	-
Increase (decrease) in debenture conversion feature	**(4,983)**	-
Repayment of convertible debentures	**(257,977)**	-
Restricted cash	**-**	23,413
	803,882	**23,413**
Increase (decrease) in cash during the period	**738,394**	**(9,357)**
Cash and cash equivalents, beginning of period	**9,039**	15,030
Cash and trust funds, end of period	$ **747,433**	$ 5,673
Supplementary cash flow information		
Income taxes paid	$ **-**	$ -
Interest paid	$ **62,354**	$ -

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

1. Nature of Operations and Going Concern

ValGold Resources Ltd. ("ValGold" or the "Company") was incorporated in 1987 under the provisions of the Business Corporations Act (British Columbia). The Company is engaged in the business of seeking and holding resource royalties and the exploration of mineral properties in Canada and Venezuela. The Company has not determined whether its mineral property interests contain mineral reserves that can be recovered economically. The Company's operating and head office is Suite 13, 940 Chippawa Creek Road, Thorold, Ontario L2E 6S5.

The condensed consolidated interim financial statements (the "financial statements") have been prepared on a going concern basis, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from carrying values as shown and the financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

ValGold holds a 2% net smelter royalty on the Jonpol and Garrcon deposits which form part of the "Garrison Gold Project" in the Golden Highway Mining Camp east of Timmins, Ontario. The Garrison Gold Project is wholly owned by Osisko Mining Inc. ("Osisko") which is conducting an exploration and development program totaling in excess of 85,000 metres of new drilling to-date. Osisko has announced that it is preparing a new 43-101 resource estimate on the Garrison Gold Project expected to be released in July 2018.

The Company's mineral properties are also in the exploration stage and, as a result, the Company has no source of operating cash flow and exploration of the properties depends on obtaining additional financing. At January 31, 2018, the Company had an accumulated deficit of $61,156,876 (July 31, 2017 - $60,993,720) and working capital of $384,862 (July 31, 2017 – ($651,890)). Operations for the six months ended January 31, 2018 and the years ended July 31, 2017 and 2016 were funded from cash on hand, a private placement of units completed in October 2017 (see below) and a drawdown on secured convertible debentures issued in December 2014 (see note 8). Management believes that at January 31, 2018, the Company has sufficient resources to meet its current committed liabilities as well as administrative expenses for the next 12 months and beyond.

The Company completed a non-brokered private placement on October 6, 2017, consisting of 15,384,617 units (the "Units") at 6.5 cents per Unit, raising gross proceeds of $1 million. Each Unit comprised one common share with an attached warrant exercisable into one common share for a period of two years at a price of 10 cents. The Units were subject to a hold period of four months and a day ending February 7, 2018. Finders' fees of 313,230 Units were paid on a portion of the placement to arm's length parties. See note 9 for additional information. In addition, 1.6 million warrants attached to the secured convertible debentures issued in December 2014 were exercised at the same time for net proceeds of $80,000. The remaining 2.4 million warrants expired on redemption of the associated debentures. The Company used a portion of the net proceeds of the placement to repay the principal amount of $200,000 of secured convertible debentures issued in December 2014, and the related accrued interest of $62,354. See note 8 for additional information.

1. Nature of Operations and Going Concern (continued)

The Company's future strategy depends upon the acquisition and financing of new royalties and mineral exploration or other projects. If mineral projects are identified, additional funds will be required to develop these potential resources and place them into commercial production. The only source of future funds presently available to the Company is through the issuance of share capital or the sale of an interest in its properties or assets in whole or in part. The ability of the Company to arrange such financing or the sale of an interest will depend, in part, on prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange the necessary financing, if needed, on terms satisfactory to the Company. If additional financing can be arranged through the issuance of shares, control of the Company may change and shareholders may suffer significant dilution.

2. Basis of Presentation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Approval of financial statements

The financial statements were approved by the Board of Directors on April 2, 2018.

(c) Basis of preparation

The financial statements have been prepared on a historical cost basis, with the exception of (i) financial instruments classified at fair value through profit or loss and (ii) available-for-sale investments which are measured at fair value.

(d) Basis of consolidation

The financial statements include the accounts of ValGold Resources Ltd. and its wholly-owned subsidiaries, Groupo ValGold de Venezuela, C.A., Global Horizon Inc., and Honnold Corp. and its direct and indirect subsidiaries. All inter-company transactions are eliminated on consolidation. All amounts are reported and measured in Canadian dollars unless otherwise noted.

(Expressed in Canadian Dollars)

3. Changes in Significant Accounting Policies

There have been no changes in accounting policies since August 1, 2017.

Please see note 3 to the audited consolidated annual financial statements for the years ended July 31, 2017 and 2016 for disclosure on the Company's significant accounting policies, changes to significant accounting policies prior to July 31, 2017, and accounting policies not yet effective.

4. Subscriptions Receivable

Subscriptions Receivable represents a portion of the proceeds from the issuance of units in a private placement closed October 6, 2017, which are held in a lawyer's trust account pending the finalization of expenses from the issue. The funds have now been released to the Company.

5. Buildings and Equipment

As at January 31, 2018

	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	**$ 765**	**$ 64**	**$ 701**
Buildings	**25,000**	**25,000**	**-**
	$ 25,765	**$ 25,064**	**$ 701**

As at July 31, 2017

	Cost	Accumulated Depreciation	Net Book Value
Office equipment	$ 14,406	$ 14,406	$ -
Computer equipment	27,467	27,467	-
Buildings	25,000	25,000	-
	$ 66,873	$ 66,873	$ -

During the six months ended January 31, 2018, the Company acquired computer equipment but no other equipment was acquired during the years ended July 31, 2017 and 2016.

(Expressed in Canadian Dollars)

6. Mineral Property Interests

Six months ended January 31, 2018	**Opening Balance**	**Incurred**	**Impairment**	**Closing Balance**
Mineral property acquisition costs				
Tower Mountain Property, Ontario (a)	**$ 1**	**$ -**	**$ -**	**$ 1**
Venezuela Properties, Venezuela (b)	**1**	**-**	**-**	**1**
Total acquisition costs	**$ 2**	**$ -**	**$ -**	**$ 2**

Year ended July 31, 2017	Opening Balance	Incurred	Impairment	Closing Balance
Mineral property acquisition costs				
Tower Mountain Property, Ontario (a)	$ 1	$ -	$ -	$ 1
Venezuela Properties, Venezuela (b)	1	-	-	1
Total acquisition costs	$ 2	$ -	$ -	$ 2

Although the Company has taken steps to verify the titles to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee a clear title. Property title may be subject to unregistered prior agreements, unpaid royalty fees, expropriation and regulatory requirements. Administrative, property investigation, and exploration and evaluation expenditures are currently expensed in the year incurred.

(a) Tower Mountain Project, Ontario

The Company holds a 100% interest in the Tower Mountain Gold Property located in northwestern Ontario (the "Property") near Thunder Bay. Commencing in 2008, an annual pre-production royalty fee of $25,000 in cash or shares was payable, ending on commencement of production. The Property is subject to a 2.5% Net Smelter Return Royalty ("NSR") on production which may be reduced to a 1.5% NSR by payment to the optionors of $1,000,000 at any time up to the commencement of commercial production.

During the years ended July 31, 2017 and 2016, and in each fiscal year since 2013, the Company has accrued the royalty fee of $25,000 in accounts payable but has not paid it. The Company has the option to pay the royalty fee in common shares.

Due to uncertainties about the Company's ability to actively explore and finance the Property, the Company wrote down its mineral property interests by $418,151 to a nominal carrying value of $1 in fiscal 2013.

(b) Venezuela Properties, Venezuela

In 2007, the Company acquired Honnold Corp., a British Virgin Island company that indirectly held twenty-seven exploration licenses in Bolivar State, Venezuela (the "Venezuela Properties"). Due to uncertainties about the Company's ability to explore and finance the Venezuela Properties, the Company wrote down those mineral property interests by $1,322,557 to a nominal carrying value of $1 in fiscal 2010 and has suspended its operations in Venezuela.

(Expressed in Canadian Dollars)

6. Mineral Property Interests (continued)

(b) Venezuela Properties, Venezuela (continued)

During the year ended July 31, 2012, the Bolivarian Republic of Venezuela (the ``State``) issued a Decree with the rank Value and Force of Organic Law reserving to the State the Activities of Exploration and Exploitation of Gold and their Related and Auxiliary Activities (the "Decree"). The Decree will reduce the participation of current private investors, such as ValGold, to a maximum (minority) shareholding of 45% of the rights and assets of any mining company operating in Venezuela. The Decree will change the governance of any gold mining companies operating in Venezuela considerably through the forced migration of their assets to a "Mixed Enterprise".

The Company may undertake further negotiations with the Venezuelan government officials with the objective of reaching an agreement with the Venezuelan government on the terms and conditions of the migration of its mining assets to a Mixed Enterprise. The Company may also hold further meetings with the Venezuelan Negotiating Committee and other government authorities to ensure that its rights are protected and not compromised. No assurance can be given of the timing of such future discussions or the outcome, nor can any assurance be given as to the Company's ownership or title to any properties in Venezuela at this time.

7. Investments

	Number of Shares	Cost January 31, 2018	Fair Value January 31, 2018
Quorum Management and Administrative Services Inc.	**1**	**1**	**1**
Total	**1**	**$ 1**	**$ 1**

	Number of Shares	Cost July 31, 2017	Fair Value July 31, 2017
Quorum Management and Administrative Services Inc.	1	$ 1	$ 1
Total	1	$ 1	$ 1

8. Convertible Debentures

On December 3, 2014, the Company closed a secured convertible debenture financing of $200,000, which, as drawn upon, provided working capital for the Company's ongoing operations.

Each unit consisted of a $1,000 convertible debenture (the "Debenture(s)") and 20,000 warrants (the "Warrants"). Each Warrant was exercisable into a common share at a price of $0.05 per common share until the earlier of: (i) five years after the date of issue; and (ii) the date on which the Debentures are redeemed. The Company drew down its initial funding on December 3, 2014, and issued $200,000 in principal amount of Debentures and 4,000,000 Warrants.

The Debentures matured originally and became due and payable on December 3, 2015 and bore interest on the principal amount drawn by the Company at an annual interest rate of 10%, accrued quarterly in arrears. A standby fee accrued quarterly in arrears at an annual rate of 8% on the undrawn amount of the Debentures (see below) until December 1, 2015. Payment of all interest and standby fees was deferred and was payable at maturity or upon redemption of the Debentures.

The entire principal amount of each Debenture (including undrawn amounts) and accrued interest was convertible at the investors' option until the earlier of (i) five years from the date of issue; and (ii) the date the Debentures were redeemed by the Company. The conversion of Debentures into ValGold common shares was in minimum amounts of $5,000 at a price of (i) $0.05 per common share for the first year from the date of issue; and (ii) $0.10 thereafter.

The Debenture proceeds were restricted to funding the Company's ongoing operations and undrawn funds were recorded as Restricted Cash in the accounts. The Debentures were secured by a pledge of all of the Company's present and after-acquired property and assets (the "Security") pursuant to a general security and pledge agreement.

The holders of the Debentures agreed unanimously in November 2015 to forego repayment of the Debentures until December 1, 2016. In consideration, the Company agreed to pay simple interest at a rate of 10%, compounded annually, on the entire principal amount of the Debentures outstanding from time to time from the date of issue. The holders of the Debentures further agreed unanimously in November 2016 to forego repayment of the Debentures until December 1, 2017.

The Debentures were redeemed in their entirety in October 2017.

(Expressed in Canadian Dollars)

8. Convertible Debentures (continued)

The following table summarizes the changes in the Debentures for the six months ended January 31 31, 2018 and the year ended July 31, 2017:

		January 31, 2018		July 31, 2017
Balance at beginning of period	**$**	**257,976**	$	234,486
Accrued interest		**4,378**		23,490
Redeemed		**(262,354)**		-
Balance at end of period	**$**	**-**	$	257,976

On initial recognition, the residual method was used to allocate the fair value of the conversion option. The fair value of the liability component was calculated as $186,440 using a discount rate of 18%, and the fair value of the liability component was deducted from the fair value of the convertible debenture as a whole, with the resulting amount of $13,560 being the fair value of the equity component. The residual amount has been prorated to the conversion feature and warrants based on their relative fair values determined by Black-Scholes pricing model, such that the same amount of $6,780 has been allocated to the warrants and conversion feature.

The tax base of the Debentures on initial recognition was $200,000 with a taxable temporary difference of $13,560 arising from the initial recognition of the equity components separately from the liability component. In accordance with IAS 12 Income Tax, the Company recognized the resulting deferred tax liability of $3,593, which was charged directly to the carrying amount of the equity components, and resulted in $4,983 (net of the tax amount) as the fair value of warrants and conversion feature on initial recognition.

The Company recorded only accrued interest (no accretion expense) in fiscal 2016 and 2017 from December 1, 2015, onward. During the six months ended January 31, 2018, the Company accrued interest of $4,378 (2017 - $11,180) and all accrued interest was paid on redemption of the Debentures in October 2017.

(Expressed in Canadian Dollars)

9. Share Capital

(a) Share capital

The Company's authorized share capital consists of unlimited number of common shares without par value.

As at January 31, 2018, 55,548,254 common shares (July 2017 – 38,250,407) were outstanding with a stated value of $56,605,304 (July 2017 – $55,835,010).

The Company issued common shares in a private placement in October 2017 (see note 1).

(b) Share options

Shareholders have approved a 10% rolling share option plan (the "Plan") as prescribed by the policies of the TSX Venture Exchange that allows the Company's directors, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. Options generally vest immediately or over a two-year period, and have a maximum term of ten years. At January 31, 2018, the Plan allowed the issuance of up to 5,554,482 share options.

The following table summarizes changes in the share options outstanding since July 31, 2015:

	Number of Options		Weighted Average Exercise Price
Balance, July 31, 2015	**335,000**	**$**	**0.13**
Cancelled and forfeited	**-**		**-**
Exercisable, July 31, 2016 and 2017	**335,000**		**0.13**
Granted August 24, 2017	**2,775,000**		**0.065**
Expired September 24, 2017	**(335,000)**		**0.13**
Exercisable, January 31, 2018 and April 2, 2018	**2,775,000**	**$**	**0.065**

No options were granted in the years ending July 31, 2013 to July 31, 2017.

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(b) Share options (continued)

The following table summarizes information about share options outstanding at April 2, 2018 and January 31, 2018:

Outstanding and exercisable January 31, 2018 and April 2, 2018	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price	Expiry Date
2,775,000	4.64	$	0.065	August 23, 2022
2,775,000	4.64	$	0.065	

The value of share options related to share-based payments charged to share-based payment reserve in the six months ended January 31, 2018 was $138,750 (2016 - $nil).

(c) Warrants

The following table summarizes the warrant transactions for the six months ended January 31, 2018 and the years ended July 31, 2017 and 2016:

	Number of Warrants		Amount
Balance, July 31, 2016 and 2015	4,000,000	$	4,983
Balance, July 31, 2017	4,000,000	$	4,983
Exercised, October 6, 2017	(1,600,000)	$	(1,993)
Expired, October 6, 2017	(2,400,000)	$	(2,990)
Issued, October 6, 2017	15,697,847	$	294,558
Balance, January 31, 2018	15,697,847	$	294,558

As at January 31, 2018, 15,567,847 share purchase warrants were outstanding from the October 2017 private placement of units with the value recorded as $294,558, which was determined using the Black-Scholes option pricing model assuming an expected life of two years, annualized volatility of 221%; expected dividend yield of 0%; and a risk free rate of 1.55% for two years. The value was adjusted based on value of the units issued of $0.065 and the share price of $0.06 at the close of trading on the day of pricing of the units.

As at July 31, 2017, 4,000,000 share purchase warrants, allocated as part of the convertible debenture financing in December 2014 (the “2014 Warrants”) were outstanding and exercisable at $0.05, expiring on the earlier of (i) the redemption of the Debentures, or (ii) December 3, 2019.

The fair value of the 2014 Warrants was recorded as $6,780 (see note 8) determined using Black-Scholes option pricing model assuming an expected life of one year and five years, annualized volatility of 114%; expected dividend yield of 0%; and a risk free rate of 1.01% for one year and 1.34% for five years.

(Expressed in Canadian Dollars)

9. Share Capital (continued)

(c) Warrants (continued)

A deferred tax liability of $1,797 was charged directly to the carrying amount of the Warrants, and resulted in a net carrying amount of $4,983 for the Warrants.

On October 6, 2017, 1,600,000 of the 2014 Warrants were exercised and the remaining balance expired on redemption of the associated Debentures.

10. Related Party Transactions and Balances

		Six Months Ended January 31,		
Services provided by:		**2018**		2017
1186987 Ontario Limited. (a) (b)	**$**	**5,000**	$	4,000
	$	**5,000**	$	4,000

		As at		
Balances payable to:		**January 31, 2018**		July 31, 2018
Directors and officers	**$**	**57,767**	$	72,770
	$	**57,767**	$	72,770

		Six Months Ended January 31,		
Key management personnel compensation		**2018**		2017
Executives (b)	**$**	**5,000**	$	4,000
Directors		-		-
	$	**5,000**	$	4,000

(a) 1186987 Ontario Ltd. is a private company, controlled by the Chief Financial Officer ("CFO") of the Company. The payments are for accounting services.

(b) Executive compensation is for the services of the current CFO. No other compensation is paid to directors or management.

The Company redeemed Debentures held by Rod Whyte ("Whyte") in October 2017 and Whyte and Kevin Snook, directors, participated in the October 2017 private placement of units.

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

During the six months ended January 31, 2018, $nil (2017 – $nil) in accounts payable to related parties has been recognized in gain on debt settlement, forgiveness and expiration (note 16).

(Expressed in Canadian Dollars)

11. Capital Management

The Company includes the following items in its managed capital:

		January 31, 2018		July 31, 2017
Share capital	$	**56,604,304**	$	55,835,010
Warrants		**294,558**		4,983
Convertible debentures conversion feature		**-**		4,983
Reserves		**4,643,579**		4,496,856
Deficit		**(61,156,876)**		(60,993,720)
	$	**385,565**	$	(651,888)

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral property interests and to maintain a flexible capital structure which will optimize the costs of capital at an acceptable risk.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk (See Note 1).

(Expressed in Canadian Dollars)

12. Financial Instruments and Risk Management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

As at January 31, 2018 and July 31, 2017, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	January 31, 2018		July 31, 2017	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Fair value through profit or loss				
Cash and cash equivalents	**$ 747,433**	**$ 747,433**	$ 9,039	$ 9,039
	747,433	**747,433**	9,039	9,039
Loans and receivables				
Accounts receivable	**11,799**	**11,799**	5,672	5,672
Available-for-sale				
Investments	**1**	**1**	1	1
Total financial assets	**759,233**	**759,233**	14,712	14,712
Other financial liabilities				
Accounts payable and accrued liabilities	**325,569**	**325,569**	339,550	339,550
Due to related parties	**57,767**	**57,767**	72,770	72,770
Convertible debentures	**-**	**-**	257,977	257,977
	$ 383,336	**$ 383,336**	$ 670,297	$ 670,297

As at January 31, 2018 and July 31, 2017, cash and cash equivalent, restricted cash and investments are classified as Level 1 and recorded at fair value.

(Expressed in Canadian Dollars)

12. Financial Instruments and Risk Management - continued

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's exposure to credit risk at the statement of financial condition date under its financial instruments is summarized as follows:

	January 31, 2018	July 31, 2017
Accounts receivable and other receivables		
Within 90 days or less	**$ 11,799**	$ 5,672
Past due by 90 days or less, not impaired	**-**	-
	11,799	5,672
Cash and cash equivalents	**747,433**	9,039
Trust Funds	**-**	-
	$ 759,232	$ 14,711

All of the Company's cash is held directly or indirectly with major financial institutions in Canada, and restricted cash, if any, was held in trust with the Company's counsel. Management believes there is no credit risk to its cash and cash equivalents and restricted cash.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at January 31, 2018 and July 31, 2017, the contractual maturities are summarized as follows:

	January 31, 2018	July 31, 2017
Accounts payable and accrued liabilities with contractual maturities		
Within 90 days or less	**$ 325,569**	$ 339,550
In later than 90 days, not later than one year	**-**	-
Due to related parties with contractual maturities		
Within 90 days or less	**57,767**	72,770
In later than 90 days, not later than one year	**-**	-
Other liabilities		
Within 90 days or less	-	-
In later than 90 days, not later than one year	**-**	257,977
	$ 383,336	$ 670,297

12. Financial Instruments and Risk Management - continued

Market risks

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates will affect the Company's income. The object of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Equity price risk

The Company has equity price risk in respect of marketable securities it holds, if any. Based on January 31, 2018 and July 31, 2017 portfolio values, every 10% increase or decrease in the share prices of these securities, would have impacted on net comprehensive loss, up or down by $nil. Additional impairment losses may indicate objective evidence of impairment of investment carrying values which would necessitate recognition of cumulative mark to market losses incurred to date in the consolidated statement of loss pursuant to the Company's accounting policy.

Currency risk

The Company's currency risk arises primarily with fluctuations in the United States dollar and the Venezuelan bolivar. The Company has no revenue and any exposure to currency risk is related to expenditures by the Company in United States dollars or the Venezuelan bolivar, as the functional currency of the entities in the group is Canadian dollars. The Company has not hedged its exposure to currency fluctuations. At January 31, 2018 and July 31, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in United States dollars and Venezuelan bolivars, but presented in Canadian dollar equivalents. The Company uses the parallel market rates when converting its transactions and assets and liabilities in Venezuelan bolivars.

		January 31, 2018		July 31, 2017
United States dollars				
Cash and cash equivalents	**$**	**-**	$	-
Less: Accounts payable and accrued liabilities		**(75,925)**		(75,925)
Venezuelan bolivars				
Cash and cash equivalents		**156**		156
Less: Accounts payable and accrued liabilities	**$**	**(10,407)**	$	(10,407)

Based on the above net exposures at January 31, 2018, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of $7,593 (July 31, 2017 - $7,593) in the Company's income (loss) from operations, and a 10% appreciation or depreciation of the Canadian dollar against the Venezuelan bolivar would result in an increase or decrease of $1,025 (July 31, 2017 – $1,025) in the Company's income (loss) from operations.

(Expressed in Canadian Dollars)

13. Segment Information

The Company has two segments – Canada and Venezuela. Venezuela operations are suspended. The Company's results are based principally on its Canadian operations.

January 31, 2018		**Canada**		**Venezuela**		**Total**
Mineral property interests	**$**	**1**	**$**	**1**	**$**	**2**
Equipment & Buildings		**701**		**-**		**701**
Other		**768,198**		**-**		**768,198**
Total assets	**$**	**768,900**	**$**	**1**	**$**	**768,901**

July 31, 2017		Canada		Venezuela		Total
Mineral property interests	$	1	$	1	$	2
Equipment		0		-		0
Other		18,407		-		18,407
Total assets	$	18,408	$	1	$	18,409

For the six months ended January 31, 2018		**Canada**		**Venezuela**		**Total**
Exploration costs	**$**	**1,340**	**$**	**-**	**$**	**1,340**
Travel and conferences		**2,363**		**-**		**2,363**
Office and administration		**5,516**		**-**		**5,516**
Legal, accounting and audit		**5,214**		**-**		**5,214**
Shareholder communications		**5,531**		**-**		**5,531**
Share-based payments		**138,750**		**-**		**138,750**
Bad Debts		**-**		**-**		**-**
Depreciation		**64**		**-**		**64**
Interest expense		**4,378**		**-**		**4,378**
(Gain) loss on debt settlement		**-**		**-**		**-**
Total (Income) Expense	**$**	**163,156**	**$**	**-**	**$**	**163,156**

For the six months ended January 31, 2017		Canada		Venezuela		Total
Exploration costs	$	1,484	$	-	$	1,484
Travel and conferences		1,673		-		1,673
Office and administration		7,334		-		7,334
Legal, accounting and audit		5,718		-		5,718
Shareholder communications		4,816		-		4,816
Depreciation		625		-		625
Interest expense		11,180		-		11,180
(Gain) loss on debt settlement		(35,313)		-		(35,313)
Total (Income) Expense	$	(2,483)	$	-	$	(2,483)

(Expressed in Canadian Dollars)

14. Exploration and Evaluation Costs

	For the six months ended January 31, 2018						
	Tower Mountain and Other Property, Ontario	**Venezuela Properties, Venezuela**	**Muzhievo Properties, Ukraine**	**Manitoba Property Manitoba**	**Garrison Property, Ontario**	**Guyana Properties, Guyana**	**Total Exploration Expenses**
Exploration expenses incurred and expensed to July 31, 2017	**$ 3,637,113**	**$ 4,336,488**	**$ 1,692,336**	**$ 239**	**$ 3,706,093**	**$ (210,510)**	**$ 13,161,759**
Incurred during the period							
Royalty fees	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land lease and property taxes	**440**	**-**	**-**	**-**	**-**	**-**	**440**
Site activities	**900**	**-**	**-**	**-**	**-**	**-**	**900**
Exploration expenses incurred and expensed by January 31, 2018	**1,340**	**-**	**-**	**-**	**-**	**-**	**1,340**
Cumulative exploration costs for mineral property interest held at January 31, 2018	**$ 3,638,453**	**$ 4,336,488**	**$ 1,692,336**	**$ 239**	**$ 3,706,093**	**$ (210,510)**	**$ 13,163,099**

	For the six months ended January 31, 2017						
	Tower Mountain and Other Property, Ontario	Venezuela Properties, Venezuela	Muzhievo Properties, Ukraine	Manitoba Property Manitoba	Garrison Property, Ontario	Guyana Properties, Guyana	Total Exploration Expenses
Exploration expenses incurred and expensed to July 31, 2016	$ 3,608,823	$ 4,336,488	$ 1,692,336	$ 239	$ 3,706,093	$ (210,510)	$ 13,133,469
Incurred during the period							
Royalty Fees	-	-	-	-	-	-	-
Land lease and property taxes	359	-	-	-	-	-	359
Site Activities	1,125	-	-	-	-	-	1,125
Exploration expenses incurred and expensed by January 31, 2017	1,484	-	-	-	-	-	1,484
Cumulative exploration costs for mineral property interest held at January 31, 2017	$ 3,610,307	$ 4,336,488	$ 1,692,336	$ 239	$ 3,706,093	$ (210,510)	$ 13,134,953

(Expressed in Canadian Dollars)

15. Income taxes

(a) Deferred tax liabilities

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities are presented below.

The Company issued a $200,000 convertible debentures (note 8) in December 2014, which has been accounted for as a $186,440 liability and $13,560 as the equity component, on its initial recognition. The tax base of the convertible debenture on initial recognition is $200,000. Under IAS 12, the taxable temporary difference of $13,560 arising from the initial recognition of the equity component separate from the liability component has to be recognized. Consequently, the Company recognized a deferred tax liability of $3,593, which is charged directly to the carrying amount of the equity components.

Interest accretion expense will increase the carrying value of liability component, reduce the temporary difference and reduce the carrying value of deferred tax liabilities. In the six months ended January 31, 2018 and the year ended July 31, 2017, no interest accretion expense was recognized (2016 - $4,582). In the year ended July 31, 2016, interest accretion expense of $4,582 (2015 - $8,977) was recognized resulting in a $1,215 (2015 - $2,378) deduction of deferred tax liabilities and a $1,215 (2015 - $2,378) deferred tax recovery.

The following table summarizes the unrecognized deferred income tax liabilities at January 31, 2018 and July 31, 2017, 2016 and 2015:

Balance at August 1, 2014	$	-
Arising from initial recognition of equity portion of convertible debenture *(Note 8)*		3,593
Deferred tax recovery due to interest accretion of convertible debenture		(2,378)
Balance at July 31, 2015	**$**	**1,215**
Deferred tax recovery due to interest accretion of convertible debenture		**(1,215)**
Balance at July 31, 2016 and 2017 and January 31, 2018	**$**	**-**

16. Debt Settlement, Forgiveness & Expiration

Management reviews accounts payable and accrued liabilities on an ongoing basis to identify items which may be settled for lesser amounts than the stated value or forgiven, or may have expired. The Company recorded $nil of such settlements, forgiveness and expirations in the six months ended January 31, 2018 (2017 - $35,313) of which $nil (2017 - $nil) was associated with related parties and the balance, $nil (2017- $35.313), with third parties. Such amounts are recorded as a gain on debt settlement, forgiveness and expiration.

17. Subsequent Events and Contingencies

Lawsuit and Counterclaim

The Company was named in a lawsuit filed in October 2015, by Stephen Wilkinson ("Wilkinson") a former President and Chief Executive Officer ("CEO") and a director who tendered his resignation as CEO in July 2014 and as a director in January 2015. Wilkinson is seeking compensation from October 2013 to July 2014 at his salary level from fiscal 2013, which was approximately $227,000, and unspecified damages for subsequent periods. He is also seeking damages for alleged constructive dismissal as of July 2014. Wilkinson joined WPC Resources Inc. as a salaried officer in June 2014 and became CEO of Falcon Gold Corp in October 2014. The board of directors considers that Wilkinson's claim has no merit and the Company has retained legal counsel and filed a defence and a counterclaim in December 2015. Management is unable to determine the potential impact of the claim, if any, at the present time, and no provision has been booked for the lawsuit as at January 31, 2018.