



(an exploration and development stage company)

**Condensed Consolidated Interim Financial Statements**

**May 31, 2011 and 2010**

*(Unaudited)*

*(Expressed in Canadian Dollars)*

## **Victoria Gold Corp.**

(an exploration and development stage company)

May 31, 2011 and February 28, 2010

### ***MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION***

The accompanying condensed consolidated interim financial statements and all other financial information included in this report is the responsibility of management. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including IAS 34 "Interim Financial Reporting" and IFRS 1 "First time adoption of IFRS." Financial statements include certain amounts based on estimates and judgements. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances to ensure that the condensed consolidated interim financial statements are presented fairly, in all material respects.

Management maintains appropriate systems of internal control, consistent with reasonable cost, to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of three Directors, all of whom are non-management and independent, meets with management to review the condensed consolidated interim financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

(signed) "John McConnell"  
Director, President and CEO  
August 9, 2011

(signed) "Marty Rendall"  
CFO  
August 9, 2011

*See accompanying notes to the condensed consolidated interim financial statements.*

**Victoria Gold Corp.**  
**Condensed Consolidated Interim Statement of Financial Position**

*(Unaudited)*

*(Expressed in Canadian Dollars)*

	<b>Notes</b>	<b>May 31, 2011</b>	<b>February 28, 2011</b>	<b>March 1, 2010</b>
			<i>(Note 18)</i>	<i>(Note 18)</i>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		\$ 18,361,517	\$ 25,666,536	\$ 19,846,495
Marketable securities	5	138,550	162,850	473,002
HST and other receivables		383,757	696,922	276,192
Prepaid expenses		709,394	567,586	191,849
		<u>19,593,218</u>	<u>27,093,894</u>	<u>20,787,538</u>
<b>Non-current assets</b>				
Restricted cash		717,031	718,970	826,389
Investment in associates	6	2,897,090	2,859,887	-
Property and equipment	7	5,872,794	5,460,467	975,441
Resource properties	8	73,920,191	66,021,635	51,483,530
		<u>79,307,016</u>	<u>74,260,952</u>	<u>73,285,360</u>
<b>Total assets</b>		<u>\$ 103,000,324</u>	<u>\$ 102,154,853</u>	<u>\$ 74,072,898</u>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 3,881,906	\$ 2,300,914	\$ 4,034,846
Current portion of ARO	10	22,440	22,558	24,381
		<u>3,904,346</u>	<u>2,323,472</u>	<u>4,059,227</u>
<b>Non-current liabilities</b>				
Asset retirement obligations ("ARO")	10	1,182,749	1,171,482	889,460
<b>Total liabilities</b>		<u>5,087,095</u>	<u>3,494,954</u>	<u>4,948,687</u>
<b>Shareholders' Equity</b>				
Share capital	11	124,164,912	124,138,662	89,369,899
Contributed surplus	12	10,149,906	9,548,664	9,362,665
Accumulated other comprehensive loss		(4,882,983)	(4,833,323)	(1,927,263)
Accumulated deficit		(31,518,606)	(30,194,104)	(27,681,090)
<b>Total shareholder's equity</b>		<u>97,913,229</u>	<u>98,659,899</u>	<u>69,124,211</u>
<b>Total liabilities and equity</b>		<u>\$ 103,000,324</u>	<u>\$ 102,154,853</u>	<u>\$ 74,072,898</u>

**Nature of operations and going concern** *(Note 1)*

*See accompanying notes to the condensed consolidated interim financial statements.*

**Authorized for issue by the Board  
of Directors on August 9, 2011 and  
signed on its behalf.**

"T. Sean Harvey"

Director

"Hugh Agro"

Director

**Victoria Gold Corp.**  
**Condensed Consolidated Interim Statement of Comprehensive Income (Loss)**

*(Unaudited)*

*(Expressed in Canadian Dollars)*

		<b>For the three months ended May 31,</b>	
	<b>Notes</b>	<b>2011</b>	<b>2010</b>
		<i>(Note 18)</i>	
<b>Operating expenses</b>			
Salaries and benefits excluding share-based payments		\$ 432,246	\$ 362,469
Share-based payments	12	360,251	155,363
Amortization		4,390	27,240
Legal and accounting		143,605	67,978
Office and administrative		142,803	113,237
Marketing		62,788	119,393
Consulting		52,050	60,006
Foreign exchange loss (gain)		23,009	(34,808)
Resource property costs and impairments	8	-	2,761
(Gain) on disposal of resource properties		-	(1,035,346)
(Gain) on disposal of short term investment		-	(44,205)
		<u>1,221,142</u>	<u>(205,912)</u>
<b>Finance (income)/costs</b>			
Unwinding of present value discount: ARO		10,958	-
Interest and bank charges		1,100	10,885
Interest income		(49,275)	(9,460)
Change in fair value of marketable securities		33,300	139,426
		<u>(3,917)</u>	<u>140,851</u>
Share of net loss of associates		<u>107,277</u>	<u>-</u>
<b>Income (loss) before taxes</b>		(1,324,502)	65,061
Income tax recovery		-	-
<b>Net income (loss)</b>		(1,324,502)	65,061
<b>Other Comprehensive income (loss)</b>			
Currency translation adjustment		(194,140)	110,827
Share of other comprehensive income of associates		144,480	-
<b>Total comprehensive income (loss) for the period</b>		<u>\$ (1,374,162)</u>	<u>\$ 175,888</u>
<b>Income (loss) per share - basic and diluted</b>	13	<u>\$ (0.005)</u>	<u>\$ 0.000</u>
<b>Weighted average number of shares</b>			
Basic and diluted		276,922,466	228,036,637

See accompanying notes to the condensed consolidated interim financial statements.

**Victoria Gold Corp.**  
**Condensed Consolidated Interim Statement of Changes in Shareholder's Equity**

(Unaudited)

(Expressed in Canadian Dollars)

Notes	Share capital		Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total equity	
	Number of shares	Amount					
	225,166,505	\$ 89,369,899	\$ 9,362,665	\$ (1,927,263)	\$(27,681,090)	\$ 69,124,211	
<b>Transactions with owners:</b>							
	4,100,000	4,305,000				4,305,000	
	465,000	203,125				203,125	
	3,002,680	1,682,206				1,682,206	
	193,307	86,988				86,988	
Fair values allocated upon exercise:							
		85,293	(85,293)			-	
		489,807	(489,807)			-	
		27,559	(27,559)			-	
		(254,952)				(254,952)	
			155,363			155,363	
			167,939			167,939	
		(820,000)				(820,000)	
						-	
	7,760,987	5,805,026	(279,357)	-	-	5,525,669	
					65,061	65,061	
<b>Other comprehensive income:</b>							
				110,827		110,827	
<b>Balance at May 31, 2010</b>	11	232,927,492	\$ 95,174,925	\$ 9,083,308	\$ (1,816,436)	\$(27,616,029)	\$ 74,825,768
		276,922,262	\$124,138,662	\$ 9,548,664	\$ (4,833,323)	\$(30,194,104)	\$ 98,659,899
<b>Transactions with owners:</b>							
	37,500	22,500	-			22,500	
Fair values allocated upon exercise:							
		3,750	(3,750)			-	
			360,251			360,251	
			244,741			244,741	
	37,500	26,250	601,242	-	-	627,492	
	-	-	-		(1,324,502)	(1,324,502)	
<b>Other comprehensive income/(loss):</b>							
				144,480		144,480	
				(194,140)		(194,140)	
<b>Balance at May 31, 2011</b>	11	276,959,762	\$124,164,912	\$ 10,149,906	\$ (4,882,983)	\$(31,518,606)	\$ 97,913,229

See accompanying notes to the condensed consolidated interim financial statements.

**Victoria Gold Corp.**  
**Condensed Consolidated Interim Statement of Cash Flows**

*(Unaudited)*

*(Expressed in Canadian Dollars)*

	Notes	For the three months ended May 31,	
		2011	2010
			<i>(Note 18)</i>
<b>Cash flows from operating activities</b>			
Net income (loss) before tax for the period		\$ (1,324,502)	\$ 65,061
<b>Adjustments for:</b>			
Resource property impairments	8	-	2,761
Share-based payments	12	360,251	155,363
Gain on sale of property		-	(1,035,346)
Share of net loss of associates		107,277	-
Unwinding of present value discount: ARO	10	10,958	8,632
Change in fair value of marketable securities		33,300	116,728
Amortization		4,390	27,240
Net, unrealized, foreign exchange loss (gain)		26,261	12,709
		(782,065)	(646,852)
<b>Working capital adjustments:</b>			
(Increase) decrease in HST and other receivables		313,165	(146,281)
(Increase) decrease in marketable securities		(9,000)	36,181
(Increase) decrease in prepaid expenses		(2,547)	28,223
Increase (decrease) in accounts payables and accrued liabilities		841,457	(130,184)
		1,143,075	(212,061)
<b>Net cash flows from (used in) operating activities</b>		361,010	(858,913)
<b>Cash flows from investing activities</b>			
Resource properties	8	(7,081,659)	(4,101,947)
Restricted cash		1,884	6,362
Purchase of property and equipment		(582,738)	(23,865)
<b>Net cash flows used in investing activities</b>		(7,662,513)	(4,119,450)
<b>Cash flows from financing activities</b>			
Shares issued for cash, net of issuance cost		-	4,050,050
Exercise of warrants and options	11 & 12	22,500	1,972,319
<b>Net cash flows from financing activities</b>		22,500	6,022,369
Foreign exchange (loss) on cash balances		(26,015)	(7,391)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(7,305,019)	1,036,615
Cash and cash equivalents, beginning of the period		25,666,536	19,846,495
<b>Cash and cash equivalents, end of the period</b>		\$ 18,361,517	\$ 20,883,110

See accompanying notes to the condensed consolidated interim financial statements.

# Victoria Gold Corp.

(an exploration and development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended May 31, 2011 and 2010

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(Unaudited)

(Expressed in Canadian Dollars)

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Victoria Gold Corp. ("Victoria" or "the Company"), a British Columbia company, was incorporated in accordance with the Business Corporations Act (British Columbia) on September 21, 1981. The Company's common shares are listed on the TSX-V.

The Company is engaged in the acquisition, evaluation, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties and is considered to be an exploration and development stage company. The Company's registered office is located at 80 Richmond St. West, Suite 303, Toronto, Ontario, M5H 2A4, Canada.

The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production or proceeds from disposition of these assets.

The Company's ability to meet its obligations and maintain operations is contingent upon successful completion of additional financing arrangements. The Company periodically seeks financing to continue the exploration and development of its resource properties and to meet its ongoing administrative requirements. Although the Company has been successful in raising funds to date (See Note 11), there can be no assurances that additional funding will be available in the future. These combined factors lend significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations as they come due for the foreseeable future. These consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

## 2. BASIS OF PRESENTATION

These consolidated financial statements include the accounts of Victoria and its wholly-owned subsidiaries including:

- Victoria Resources (U.S.) Inc., a Nevada corporation,
- Gateway Gold Corp., a British Columbia corporation,
- Gateway Gold (USA) Corp., a Nevada corporation,
- StrataGold Corporation, a British Columbia corporation,
- StrataGold (Barbados) Corporation, a Barbados corporation and
- Tassawini Gold (Barbados) Corporation, a Barbados corporation.

Gateway Gold Corp. and Gateway Gold (USA) Corp. (together referred to as "Gateway") were acquired by the Company on December 18, 2008.

StrataGold Corporation, StrataGold (Barbados) Corporation, Tassawini Gold (Barbados) Corporation and StrataGold Guyana Inc. (together referred to as "StrataGold") were acquired by the Company on June 4, 2009. StrataGold Guyana Inc., the entity which held all of the Company's Guyana assets, was sold to Takara Resources Inc. on April 23, 2010.

# Victoria Gold Corp.

(an exploration and development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Adoption of International Financial Reporting Standards (“IFRS”)

The Company prepares financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim condensed consolidated financial statements. In these condensed consolidated interim financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”) and IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”). Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in the opening IFRS statement of financial position as at March 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Company’s reported statement of financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the financial statements for the year ended February 28, 2011.

The policies applied in these condensed consolidated interim financial statements are presented below and are based on IFRS issued and outstanding as of August 9, 2011, the date the Audit Committee approved the financial statements. Any subsequent changes to IFRS that are given effect in the annual financial statements for the year ending February 28, 2012 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the Company’s Canadian GAAP annual financial statements for the year ended February 28, 2011. Note 18 discloses IFRS information for the year ended February 28, 2011 that is material to the understanding of these condensed consolidated interim financial statements. Because these are the Company’s first interim financial statements prepared using IFRS, they include certain disclosures that were not included in those most recent Canadian GAAP annual financial statements, which are required to be included in annual financial statements prepared in accordance with IFRS.

### (b) Basis of measurement

The condensed consolidated interim financial statements are prepared on the historical cost basis except for the revaluation of certain financial instruments to fair value.

### (c) Consolidation

Subsidiaries are entities over which the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible, are taken into account in the assessment of whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases. All inter-company balances and transactions have been eliminated.



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## (d) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense or capitalized is adjusted to reflect the actual number of share options that are expected to vest.

## (e) Deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## (f) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company has adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered and (ii) recognize an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

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**(an exploration and development stage company)**  
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The allocation of the proceeds is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

**(g) Property and equipment**

Property and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company provides for amortization of its property and equipment at the following annual rates:

Field and Automotive equipment	-from 20%-30% declining balance basis
Buildings and structures	-straight line over the useful life
Leasehold improvements	-straight line over the term of the lease (five years)
Other assets	-from 20%-30% declining balance basis

Assets under construction are capitalized as a separate component of property and equipment. On completion, the cost of construction is transferred to the appropriate category. Assets under construction are not amortized. Amortization commences on the date when the assets are available for use.

**(h) Resource properties and deferred exploration and evaluation costs**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of other comprehensive income (loss).

Capitalized costs, including certain operating expenses, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are reviewed for impairment at each cash-generating unit ("CGU") level. The Company defines CGU on a property by property basis. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested

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for impairment and then reclassified to mining property and development assets within property and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(i) Impairment of non-financial assets**

At each financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to CGU's to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately through operations.

**(j) Foreign currencies**

**Functional and presentational currency**

All amounts in these financial statements are presented in Canadian Dollars unless otherwise stated.

The functional currency of the Company is the Canadian Dollar and the functional currency of the significant operating subsidiaries is either the Canadian Dollar or the US Dollar. The functional currency for the Company and its' subsidiaries is determined as the currency of the primary economic environment in which they operate.

**Foreign currency translation**

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the statement of financial position date. Exchange gains and losses on settlement of foreign currency transactions and the translation of monetary assets and liabilities are taken to the statement of comprehensive income.

**Translation from functional to presentational currency**

The results and financial position of all of the Company's subsidiaries that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

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(an exploration and development stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

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- Assets and liabilities are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognized as a separate component of equity.

### (k) Financial assets and liabilities

Financial assets held are cash and cash equivalents, restricted cash, marketable securities and accounts receivable and prepayments. Financial liabilities are accounts payable and accrued liabilities.

These are classified into the following specified categories: available-for-sale ("AFS"), financial assets at fair value through profit and loss, loans and receivables or other liabilities. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Marketable securities held by the Company that are traded in an active market are classified as being financial assets at fair value through profit and loss and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in comprehensive income or loss.

Amounts receivable that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate. Other financial liabilities are measured at amortized cost.

The Company has classified its financial instruments as follows:

Cash and cash equivalents	-	Loans and receivables
Term deposits	-	Loans and receivables
Investment in marketable securities	-	Financial assets at fair value through profit and loss
Other receivables	-	Loans and receivables
Accounts payable and accrued liabilities	-	Other financial liabilities
Deferred premium of flow-through shares	-	Other financial liabilities

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

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Impairment of financial assets:

Financial assets other than those at fair value through profit and loss are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

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Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. The Company does not have any derivative financial instruments or interest calculated using the effective interest method.

**(l) Cash and cash equivalents**

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit and short-term investments with remaining maturities of three months or less at time of acquisition. The Company does not hold any asset backed commercial paper.

**(m) Restricted cash**

Restricted cash includes reclamation bonds held by the Nevada Bureau of Land Management, Newmont Mining Corporation and a major bank in the United States. The cash will be returned to the Company upon successful completion of reclamation at the Company's various properties in Nevada.

**(n) Investments in associates**

Associates are those entities in which the Company has a material long-term interest and in respect of which the Company exercises significant influence over operational and financial policies, normally owning between 20% and 50% of the voting equity, but which it does not control.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Company's share of its associates' post-acquisition profits or losses is recognized in income (loss). Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of the losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has unsecured legal or constructive obligations or made payments on behalf of the associate.

When the Company no longer has a significant influence over an associate, accounting for the investment as an associate ceases. The carrying value of the investment in the associate at the date it ceases to be an associate is transferred to the new designated class of financial asset. The investment is then accounted for under the requirements of the new financial asset designation.

**(o) Asset retirement obligations**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Risk-free discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged

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against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

**(p) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(q) Expenses**

*Operating leases*

Operating lease payments are recognized as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(r) Loss per share**

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares.

**(s) Segment reporting**

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration and two geographical segments, Canada and the United States.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which consists of review of net assets and net income/(loss). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

**(t) Accounting standards effective in the current period but not yet adopted**

IFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2013 and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10, 11, 12 and 13 were all issued in May 2010 and are effective for annual periods beginning January 1, 2013, with early adoption allowed.

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IFRS 10, *Consolidated Financial Statements*, replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation — Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11, *Joint Arrangements*, introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation.

IFRS 12, *Disclosure of Interests in Other Entities*, requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13, *Fair Value Measurement*, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

#### 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

##### ***Impairment of assets***

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairment indicators of nonfinancial assets have been noted for the three months ended May 31, 2011, May 31, 2010 or the year ended February 28, 2011.

##### ***Stock-based compensation***

Management is required to make certain estimates when determining the fair value of stock options awards and the number of awards that are expected to vest. These estimates affect the amount recognized as stock based payments in the condensed consolidated interim statements of loss and comprehensive loss based on estimates of forfeiture and expected lives of the underlying stock options.

##### ***Income taxes and recovery of deferred tax assets***

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Management did not recognize deferred tax assets as future taxable profits are not expected until the Company reaches

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technical feasibility and commercial viability of the extraction of the mineral resources, the timing of which is uncertain as the Company is still in the exploration and evaluation stage.

**5. MARKETABLE SECURITIES**

	<b>May 31, 2011</b>	<b>February 28, 2011</b>	<b>March 1, 2010</b>
<b>Current investments</b>			
Financial assets at fair value through profit and loss	\$ 138,550	\$ 162,850	\$ 473,002
	<u>\$ 138,550</u>	<u>\$ 162,850</u>	<u>\$ 473,002</u>

**6. INVESTMENT IN ASSOCIATE**

	<b>May 31, 2011</b>	<b>February 28, 2011</b>	<b>March 1, 2010</b>
Takara Resources Inc. – 22,208,355 common shares	\$ 2,859,887	\$ 3,303,171	\$ -
Share of net (loss)	(107,277)	(443,284)	-
Share of other comprehensive income	144,480	-	-
	<u>\$ 2,897,090</u>	<u>\$ 2,859,887</u>	<u>\$ -</u>

On April 23, 2010, the Company completed a transaction with Takara Resources Inc. (“Takara”) to sell all of the issued and outstanding shares of StrataGold Guyana Inc., which were held by Tassawini Gold (Barbados), a wholly owned subsidiary of the Company.

Pursuant to this transaction, Takara has issued 21,858,355 of its common shares to Victoria. The shares are subject to a 4-month hold period and will be held in escrow with a release as follows: 10% on issuance of the TSX Venture Exchange bulletin and 15% every six months thereafter for a period of three years. Victoria is restricted, subject to Takara Board approval, from trading, on any one day, more than 25% of Takara’s daily trading volume based on a 30-day average. Prior to closing, Victoria held 350,000 of Takara’s shares and thus, following completion of this transaction, Victoria held 22,208,355 of Takara’s issued and outstanding shares, with a carrying value of \$3,303,171.

At May 31, 2011, the Company held 23.42% of the issued and outstanding shares of Takara. The Company accounts for its investment in Takara using the equity method of accounting. At May 31, 2011, the Takara shares had a quoted market value of \$3,553,337 (February 28, 2011 - \$4,663,755).

Victoria will be issued a further 4,000,000 shares, valued at market price as at the date immediately preceding issuance, if one of the following are met:

- a) completion of a positive preliminary economic assessment (or other similar report) on any of the assets of StrataGold Guyana held at closing; or
- b) approval by the board of directors of Takara of an engagement letter or other agreement (including any letter of intent), or a resolution of the board of directors of Takara with respect to any arrangements generally, providing for production of project development financing in respect of any of the assets of StrataGold Guyana held at closing.



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## 7. PROPERTY AND EQUIPMENT

	Other assets	Assets under construction	Buildings/ structure	Field & automotive equipment	Land	Total
<b>Cost</b>						
<b>March 1, 2010</b>	\$ 127,429	\$ -	\$ -	\$ 646,014	\$ 307,855	\$ 1,081,298
Additions	52,872	5,023,380	-	12,700	-	5,088,952
Disposals	(74,951)	-	-	(554,437)	-	(629,388)
<b>February 28, 2011</b>	105,350	5,023,380	-	104,277	307,855	5,540,862
Transfers	-	(5,023,380)	5,023,380	-	-	-
Additions	43,818	-	538,922	-	-	582,740
<b>May 31, 2011</b>	\$ 149,168	\$ -	\$ 5,562,302	\$ 104,277	\$ 307,855	\$ 6,123,602
<b>Accumulated amortization</b>						
<b>March 1, 2010</b>	\$ 20,482	\$ -	\$ -	\$ 85,375	\$ -	\$ 105,857
Additions	22,157	-	-	14,994	-	37,151
Disposals	(12,125)	-	-	(50,488)	-	(62,613)
<b>February 28, 2011</b>	30,514	-	-	49,881	-	80,395
Additions	7,426	-	159,713	3,274	-	170,413
<b>May 31, 2011</b>	\$ 37,940	\$ -	\$ 159,713	\$ 53,155	\$ -	\$ 250,808
<b>Net book value</b>						
<b>March 1, 2010</b>	\$ 106,947	\$ -	\$ -	\$ 560,639	\$ 307,855	\$ 975,441
<b>February 28, 2011</b>	\$ 74,836	\$ 5,023,380	\$ -	\$ 54,396	\$ 307,855	\$ 5,460,467
<b>May 31, 2011</b>	\$ 111,228	\$ -	\$ 5,402,589	\$ 51,122	\$ 307,855	\$ 5,872,794

Assets under construction consist of the all-season camp located at Dublin Gulch.

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### 8. RESOURCE PROPERTIES

Details of additions and impairments for the for the three month and twelve month periods ended May 31, 2011 and February 28, 2011 and cumulative expenditures as at May 31, 2011, February 28, 2011 and March 1, 2010 are as follows:

	February 28, 2011	Additions	Currency Translation	May 31, 2011
Mill Canyon (Nevada)	\$ 10,847,621	\$ 54,138	\$ (56,159)	\$ 10,845,600
Relief Canyon (Nevada)	1,702,097	65,129	(9,104)	1,758,122
Cove (Nevada)	13,430,402	1,183,305	(75,281)	14,538,426
Big Springs (Nevada) *	6,327,840	192,014	(33,586)	6,486,268
Santa Fe (Nevada)	3,846,239	38,052	(20,010)	3,864,281
Dublin Gulch (Yukon)	29,435,506	6,446,520	-	35,882,026
Tassawini (Guyana) **	-	-	-	-
BRL Venture (Guyana) **	-	-	-	-
Other properties ***	431,930	113,537	-	545,467
	<u>\$ 66,021,635</u>	<u>\$ 8,092,696</u>	<u>\$ (194,140)</u>	<u>\$ 73,920,191</u>

	March 1, 2010	Additions	Impairment and sale	Currency Translation	February 28, 2011
Mill Canyon (Nevada)	\$11,551,558	\$ 167,990	\$ -	\$ (871,927)	\$ 10,847,621
Relief Canyon (Nevada)	1,733,525	105,386	-	(136,814)	1,702,097
Cove (Nevada)	11,822,859	2,687,073	-	(1,079,530)	13,430,402
Big Springs (Nevada) *	5,704,068	1,132,402	-	(508,630)	6,327,840
Santa Fe (Nevada)	2,497,032	1,658,366	-	(309,159)	3,846,239
Dublin Gulch (Yukon)	16,192,970	13,242,536	-	-	29,435,506
Tassawini (Guyana) **	860,978	100,391	(961,369)	-	-
BRL Venture (Guyana) **	705,180	93,613	(798,793)	-	-
Other properties ***	415,360	19,331	(2,761)	-	431,930
	<u>\$51,483,530</u>	<u>\$19,207,088</u>	<u>\$(1,762,923)</u>	<u>\$(2,906,060)</u>	<u>\$ 66,021,635</u>

\* Big Springs includes the Golden Dome, Island Mountain, Dorsey Creek and Mac Ridge properties.

\*\* Tassawini and BRL Venture properties were sold to Takara Resources Inc. on April 23, 2010 for shares. The excess of the proceeds over the carrying value from the sale was accounted for as a Gain on Sale of property.

\*\*\* Other properties include Wattabaeg and Russell Creek in Ontario and Donjek, Aurex, Eureka, Canalask, Clear Creek and Hyland in Yukon Territory and Jack Creek in Nevada.

The Company has entered into "Minerals Lease and Sublease Agreement" at various properties. Work commitments at its properties can be referred to in the audited consolidated financial statements and the notes thereto of the Company for the year ended February 28, 2011.

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### **Mill Canyon, Nevada**

On May 13, 2003, the Company entered into a Purchase Agreement (amended on May 14, 2003 and on June 14, 2004) with Newmont, to acquire a 100% interest in the Mill Canyon property. In 2005, the Company earned its 100% interest by completing all of the required payments and exploration expenditures as per the amended Purchase Agreement (which consisted of paying US\$300,000 in cash, issuing 500,000 common shares to Newmont and incurring US\$5 million of qualified exploration expenditures).

### **Relief Canyon, Nevada**

On June 15, 2006, the Company entered into a "Minerals Lease and Sublease Agreement" to lease the Relief Canyon property from Newmont. Under the terms of the lease, the Company will be subject to yearly work commitments that total US\$3.6 million over a period of 7 years (consisting of US\$150,000 (completed), US\$250,000 (completed), US\$350,000 (completed), US\$500,000 (completed), US\$600,000 (completed), US\$750,000, US\$1,000,000, respectively, in each year of the first seven years of the agreement dated June 15, 2006, of which US\$400,000 was a firm obligation and must be expended by June 15, 2008 (completed).

### **Cove, Nevada**

On June 15, 2006, the Company entered into a "Minerals Lease and Agreement" to lease a portion of the Cove Mine project, located in north-central Nevada, from Newmont Mining Corporation ("Newmont"). Under the terms of the agreement, the Company was subject to yearly work commitments in the cumulative aggregate amount of US\$8.5 million. The Company has completed the entire US\$8.5 million work commitment.

### **Big Springs, Nevada**

By an agreement dated December 23, 2002, the Company purchased a 100% interest in the Big Springs mineral claims located in the Jerritt Canyon area of Nevada, USA. During 2007, the Company issued the final tranche of 100,000 shares to the vendor, completing the issuance of a total of 500,000 shares as required by the agreement. The majority of the claims forming the property are subject to net smelter return royalties of 2% to 3%. Beginning on the seventh anniversary of the agreement the Company must pay annual advance royalty payments of \$100,000. Advance royalty payments were made on December 23, 2009 and December 23, 2010.

### **Santa Fe, Nevada**

On May 21, 2008 the Company entered into an agreement with Homestake Mining Company of California, a subsidiary of Barrick Gold of North America. The Company has the right to earn a 60% interest in the Santa Fe property by spending US\$5,000,000 over five years (US\$2,050,000 of which must, and has been, incurred by 31 December 2010) and an additional 10% by spending an additional US\$1,500,000 in the sixth year.

## **9. DEFERRED PREMIUM ON FLOW-THROUGH SHARES**

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures already incurred. Accordingly, at February 28, 2011, the deferred premium has been reduced and other income for the year then ended increased by \$820,000 to reflect the qualifying flow-through expenditures completed during the year ended February 28, 2011.

## **10. ASSET RETIREMENT OBLIGATIONS**

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements and have been measured at fair value. Fair value is determined based on the net present value of future cash expenditures upon reclamation and closure. Reclamation and closure costs are capitalized into Resource properties dependent on the nature of the asset related to the obligation and amortized over the life of the related asset. Future changes to those regulations and standards, as well as changes resulting from operations may result in actual reclamation costs differing from the estimate.

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The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with the Mill Canyon, Hilltop, Black Canyon, Relief Canyon, Cove, Big Springs, Dorsey Creek, Mac Ridge, Golden Dome and Dublin Gulch properties. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the date of purchase and assumptions as follows:

- a) Total undiscounted amount of inflation adjusted future reclamation costs was determined to be \$1,632,843;
- b) Weighted average risk-free interest rate at 4.7% and a long-term inflation rate of 2.0%;
- c) Expected timing of risk adjusted cash outflows required to settle the obligation will be incurred over the period through 2024.

As at March 1, 2010 the Company recorded an increase in the ARO liability of \$169,695 due to change in the estimated average risk free rate.

The following is an analysis of the Company's asset retirement obligation:

	<b>May 31, 2011</b>	<b>February 28, 2011</b>	<b>March 1, 2010</b>
Balance, beginning of period	\$ 1,194,040	\$ 913,841	\$ 219,208
Unwinding of discount: ARO	10,958	34,470	11,239
Change in ARO estimates capitalized to resource properties	-	245,729	683,394
Balance, end of period	1,204,998	1,194,040	913,841
Less: Current portion	(22,440)	(22,558)	(24,381)
Long term liability	<b>\$ 1,182,558</b>	<b>\$ 1,171,482</b>	<b>\$ 889,460</b>

**11. SHARE CAPITAL AND OTHER EQUITY**

*Authorized, issued and outstanding common shares*

Common shares, no par value, authorized unlimited number of shares, issued and outstanding were 276,959,762 and 232,927,492 shares as at May 31, 2011 and 2010, respectively.

On August 24, 2010, the Company closed a brokered agreement with a syndicate of underwriters led by GMP Securities L.P. and including Cormark Securities Inc., Wellington West Capital Markets Inc., NCP Northland Capital Partners Inc., Paradigm Capital Inc., Raymond James Ltd., RBC Capital Markets and Scotia Capital Inc. (collectively, the "Underwriters"), of 41,112,500 common shares of the Company at a price of C\$0.70 per Share, for aggregate gross proceeds of C\$28,778,750 (the "Offering"). Kinross Gold Corporation purchased 6,000,000 shares of the Offering. The Underwriters received a cash commission equal 5.5% of the gross proceeds from the sale of the Offering.

On April 20, 2010, the Company closed a non-brokered private placement flow-through offering (the "Offering") raising gross proceeds of approximately \$4.3 million, representing the issuance of 4,100,000 common shares priced at \$1.05 per share. Finders' fees of \$225,500 were paid in conjunction with the Offering. The flow-through shares were subject to a four-month hold period, which has since expired.

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*Warrants*

The following table summarizes information regarding changes in the Company's warrants outstanding:

	May 31, 2011			February 28, 2011		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding, beginning of the year	4,776,000	\$ 0.55	\$ 999,456	9,047,450	\$ 0.57	\$1,566,495
Issued	-	-	-	-	-	-
Exercised	-	-	-	(4,177,950)	\$ 0.59	(563,205)
Expired	-	-	-	(93,500)	\$ 0.70	(3,834)
Outstanding, end of the period	4,776,000	\$ 0.55	\$ 999,456	4,776,000	\$ 0.55	\$ 999,456

Details of the warrants outstanding at May 31, 2011 are:

	Number of Warrants	Exercise price	Expiry date
Issued in private placement	4,776,000	\$ 0.55	March 13, 2012
	4,776,000		

**12. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN**

The Company has adopted a stock option plan (the "Plan") for its directors, officers, 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. One-eighth of options granted under the plan vest immediately; a further one-eighth vest after each three month period thereafter, with the final one-quarter vesting eighteen months from the date of grant. At May 31, 2011, 12,307,845 (12,352,886 as at February 28, 2011) additional stock options were available for grant under the Company's stock option plan.

The exercise price of options granted in accordance with the plan must not be lower than the closing price for such shares as quoted on the Toronto Stock Exchange Venture ("TSX-V") on the last business day prior to the date of the grant. The period for exercising an option shall not extend beyond a period of ten years following the date the option is granted. The total number of options held by insiders of the Company must not exceed 10% of the total number of shares issued and outstanding, unless approved by a majority of disinterested shareholders votes cast at a shareholders meeting.

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A summary of the status of the Plan as at May 31, 2011 and as at February 28, 2011, and changes during the periods ended on those dates is presented below:

	<b>May 31, 2011</b>			<b>February 28, 2011</b>		
	<b>Number of stock options</b>	<b>Weighted average exercise price</b>	<b>Fair Value Assigned</b>	<b>Number of stock options</b>	<b>Weighted average exercise price</b>	<b>Fair Value Assigned</b>
Outstanding, beginning of the year	13,782,340	\$ 0.71	\$5,325,059	13,081,722	\$ 0.64	\$4,013,365
Granted	325,000	\$ 0.74	134,193	3,255,000	\$ 1.08	1,999,176
Exercised	(37,500)	\$ 0.54	(3,750)	(2,172,000)	\$ 0.49	(583,837)
Expired	(276,209)	\$ 1.48	(111,992)	(184,882)	\$ 3.91	(21,112)
Forfeited	-	\$ -	-	(197,500)	\$ 0.65	(82,533)
Outstanding, end of the period	13,793,631	\$ 0.70	\$5,343,509	13,782,340	\$ 0.71	\$5,325,059

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As at May 31, 2011, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding as follows:

Date of grant	Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
December 14, 2006	5,620	5,620	\$ 10.08	December 14, 2011
January 26, 2007	18,735	18,735	\$ 8.72	January 26, 2012
April 27, 2007	475,000	475,000	\$ 0.60	April 27, 2012
May 2, 2007	3,123	3,123	\$ 5.04	May 2, 2012
June 11, 2007	3,122	3,122	\$ 5.28	June 11, 2012
June 26, 2007	50,000	50,000	\$ 1.38	June 26, 2012
July 25, 2007	95,000	95,000	\$ 0.60	July 25, 2012
August 15, 2007	4,996	4,996	\$ 3.60	August 15, 2012
August 20, 2007	1,900,000	1,900,000	\$ 0.60	August 20, 2012
September 17, 2007	220,000	220,000	\$ 0.65	September 17, 2012
October 1, 2007	18,735	18,735	\$ 3.92	October 1, 2012
October 23, 2007	300,000	300,000	\$ 0.70	October 23, 2012
February 19, 2008	68,695	68,695	\$ 1.60	February 19, 2013
March 3, 2008	24,980	24,980	\$ 1.60	March 3, 2013
July 30, 2008	540,000	540,000	\$ 0.40	July 30, 2013
September 29, 2008	280,000	280,000	\$ 0.34	September 29, 2013
December 17, 2008	2,239,375	2,239,375	\$ 0.21	December 17, 2013
May 11, 2009	150,000	150,000	\$ 0.32	May 11, 2014
July 2, 2009	250,000	250,000	\$ 0.40	July 2, 2014
July 13, 2009	75,000	75,000	\$ 0.36	July 13, 2014
September 21, 2009	570,000	570,000	\$ 0.38	September 21, 2014
December 18, 2009	2,921,250	2,208,750	\$ 0.70	December 18, 2014
October 7, 2010	530,000	198,750	\$ 1.25	October 7, 2015
February 9, 2011	2,725,000	681,250	\$ 1.05	February 9, 2016
May 11, 2011	325,000	40,625	\$ 0.75	May 18, 2016
	<b>13,793,631</b>	<b>10,421,756</b>		

The fair value of each option is accounted for in the Statement of Operations, over the vesting period of the options, and the related credit is included in the contributed surplus.

On May 18, 2011, the Company granted 325,000 incentive stock options with an exercise price of \$0.74 per option to employees of the Company. The stock options have a term of five years and expire on May 18, 2016. The fair value of these options totalling \$134,193 will be recognized (\$24,774 expensed and \$109,419 capitalized to resource properties) over the vesting periods, of which \$32,295 has been recognized (\$5,962 expensed and \$26,333 capitalized) as at May 31, 2011. The fair value of these options was calculated based on a risk-free annual interest rate of 1.74%, an expected life of 3 years, an expected volatility of 95% and a dividend yield rate of nil. This results in an estimated value of \$0.41 per option at the grant date using the Black-Scholes option-pricing model.

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On February 9, 2011, the Company granted 2,725,000 incentive stock options with an exercise price of \$1.05 per option to employees of the Company. The stock options have a term of five years and expire on February 9, 2016. The fair value of these options totalling \$1,602,943 will be recognized (\$1,084,195 expensed and \$518,748 capitalized to resource properties) over the vesting periods, of which \$825,285 has been recognized (\$558,205 expensed and \$267,080 capitalized) as at May 31, 2011. The fair value of these options was calculated based on a risk-free annual interest rate of 2.14%, an expected life of 4.5 years, an expected volatility of 97% and a dividend yield rate of nil. This results in an estimated value of \$0.59 per option at the grant date using the Black-Scholes option-pricing model.

On October 8, 2010, the Company granted 530,000 incentive stock options with an exercise price of \$1.25 per option to employees of the Company. The stock options have a term of five years and expire on October 8, 2015. The fair value of these options totalling \$396,233 will be recognized (\$106,983 expensed and \$289,250 capitalized to resource properties) over the vesting periods, of which \$296,074 has been recognized (\$79,940 expensed and \$216,135 capitalized) as at May 31, 2011. The fair value of these options was calculated based on a risk-free annual interest rate of 1.78%, an expected life of 3 years, an expected volatility of 101% and a dividend yield rate of nil. This results in an estimated value of \$0.75 per option at the grant date using the Black-Scholes option-pricing model.

On December 18, 2009, the Company granted 3,210,000 incentive stock options with an exercise price of \$0.70 per option to directors, officers and employees of the Company. 222,500 of these options were forfeited as at November 30, 2010. The stock options have a term of five years and expire on December 18, 2014. The fair value of these options totalling \$1,338,998 will be recognized (\$796,010 expensed and \$542,988 capitalized to resource properties) over the vesting periods, of which \$1,313,657 has been recognized (\$781,314 expensed and \$532,343 capitalized) as at May 31, 2011. The fair value of these options was calculated based on a risk-free annual interest rate of 2.3%, an expected life of 4.4 years, an expected volatility of 101% and a dividend yield rate of nil. This results in an estimated value of \$0.45 per option at the grant date using the Black-Scholes option-pricing model.

On September 21, 2009, the Company granted 695,000 incentive stock options with an exercise price of \$0.38 per option to employees of the Company. The stock options have a term of five years and expire on September 21, 2014. The fair value of these options totalling \$189,344 has been fully recognized (\$177,214 expensed and \$12,130 capitalized to resource properties) as at May 31, 2011. The fair value of these options was calculated based on a risk-free annual interest rate of 2.4%, an expected life of 4.8 years, an expected volatility of 100% and a dividend yield rate of nil. This results in an estimated value of \$0.27 per option at the grant date using the Black-Scholes option-pricing model.

Option pricing models require the input of highly subjective assumptions. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the grant date.



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**13. LOSS PER SHARE**

(a) Basic

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of ordinary shares in issue during the period.

	<b>For the three months ended May 31,</b>	
	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ (1,324,502)	\$ 65,061
Weighted average number of common shares issued	276,922,466	228,036,637
Basic earnings (loss) per share	\$ (0.005)	\$ 0.000

(b) Diluted

The fully diluted earnings per share is calculated using the common share balance increased by the number of common shares that could be issued under outstanding in the money warrants and options of the Company.

	<b>For the three months ended May 31,</b>	
	<b>2011</b>	<b>2010</b>
Net income (loss) attributable to common shareholders	\$ (1,324,502)	\$ 65,061
Weighted average number of common shares issued	276,922,466	228,036,637
Adjustment for:		
Warrants	-	-
Stock options	-	-
Weighted average number of ordinary shares for diluted earnings per share	276,922,466	228,036,637
Diluted earnings (loss) per share	\$ (0.005)	\$ 0.000

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**14. COMMITMENTS AND CONTINGENCIES**

**Operating Leases**

At May 31, 2011, the Company has future minimum annual operating lease commitments for office premises in; (1) Vancouver, BC, (2) Toronto, Ontario, (3) Reno, Nevada, (4) Elko County, Nevada and (5) Whitehorse, Yukon, as follows:

		CAN\$		US\$
to February 29, 2012	\$	218,355	\$	17,721
to February 28, 2013		241,120		29,547
to February 28, 2014		127,284		15,075
to February 28, 2015		98,560		-
to February 29, 2016 and thereafter		133,056		-
<b>Total</b>	<b>\$</b>	<b>818,375</b>	<b>\$</b>	<b>62,343</b>

**15. FINANCIAL RISK MANAGEMENT**

**(a) Credit risk management**

Certain of the Company's financial assets are exposed to a degree of credit risk. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents as cash deposits and short-term government treasury funds with major commercial banks.

Credit risk relating to accounts receivable and restricted cash arises from the possibility that any counterparty to an instrument fails to perform. The Company's accounts receivable relate to recoveries of GST. Restricted cash includes reclamation bonds. Reclamation bonds reflect non-interest bearing cash deposits held with governmental agencies representing the state of Nevada and interest bearing certificates of deposit held by Wells Fargo. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of restricted cash, receivables and reclamation bonds.

**(b) Liquidity risk**

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its capital, development and exploration expenditures. The Company ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

As of May 31, 2011, the Company had a cash balance of \$18,361,517 (February 28, 2011 - \$25,666,536) to settle current accounts payable and accrued liabilities of \$3,904,346 (February 28, 2011 - \$2,323,472).

**(c) Market risk**

The Company's financial assets and liabilities are not exposed to price risk with respect to commodity prices.

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**(d) Foreign exchange risk**

The Company incurs exploration expenditures in the United States and holds its restricted cash and a portion of its cash and cash equivalents in US dollars. This gives rise to a risk that its US dollar expenditures and US dollar cash holdings may be adversely impacted by fluctuations in foreign exchange.

The Company does not undertake currency hedging activities.

**(e) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of investing cash equivalents into fixed interest rate investments is mitigated by the short terms in which the investments mature. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited as these investments, although available for sale, renew daily. The short-term investments included in cash and cash equivalents earn interest at prevailing rates. This allows the Company to adapt its investment strategy in the event of any large fluctuations in the prevailing market rates.

**Sensitivity analysis**

The following table summarizes the sensitivity of the Company's cash, cash equivalents and restricted cash to changes in interest rates and foreign exchange rates over the three month reporting period ended May 31, 2011.

	Carrying amount	Interest rate change (1)		Foreign currency change (2)	
		+ 1%	- 1%	+ 10%	- 10%
<b>Cash and cash equivalents (Cdn \$)</b>					
Cash - Cdn\$ denominated	766,868	1,917	(1,917)	-	-
Cash - US\$ denominated	4,902,172	12,255	(12,255)	490,217	(490,217)
Treasury funds - Canadian denominated	12,692,477	31,731	(31,731)	-	-
<b>Total cash and cash equivalents</b>	<b>18,361,517</b>	<b>45,903</b>	<b>(45,903)</b>	<b>490,217</b>	<b>(490,217)</b>
Reclamation bonds - US\$ denominated (non-interest bearing)	398,948	-	-	39,895	(39,895)
Reclamation bonds - US\$ denominated (interest bearing)	318,083	795	(795)	31,808	(31,808)
<b>Total amount or impact - cash and deposits</b>	<b>19,078,548</b>	<b>46,698</b>	<b>(46,698)</b>	<b>561,920</b>	<b>(561,920)</b>

- 1) Interest earned on the Company's interest bearing cash accounts, treasury funds and certificates of deposit is at prevailing rates that fluctuate with changes in banking interest rates and Government t-bill rates. Management believes that a plus or minus 1% annual change in rates is a reasonable estimate of variability over a three month period.
- 2) The Company's US dollar cash balance, US dollar reclamation bonds and US dollar based certificates of deposit are subject to foreign exchange risk. Management has shown a sensitivity analysis of a plus or minus change of 10%.

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**(f) Fair value of financial assets and liabilities**

The book values of the cash, restricted cash, accounts receivable, accounts payable and accrued liabilities, approximate their respective fair values due to the short-term nature of these instruments.

The fair values together with the carrying amounts shown in the statements of financial position are as follows:

Classification	May 31, 2011		February 28, 2011		March 1, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$18,361,517	\$18,361,517	\$25,666,536	\$25,666,536	\$19,846,495	\$19,846,495
Restricted cash	717,031	717,031	718,970	718,970	826,389	826,389
Marketable securities	138,550	138,550	162,850	162,850	473,002	473,002
Other receivables	383,757	383,757	696,922	696,922	276,192	276,192
Accounts payable and accrued liabilities	3,881,906	3,881,906	(2,300,914)	(2,300,914)	(4,034,846)	(4,034,846)
Unrecognized (losses) / gains		\$ -		\$ -		\$ -

**(g) Estimation of fair values**

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

*Securities in listed entities (financial assets at fair value through profit and loss)*

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

*Trade and other receivables/payables*

For receivables / payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

*Interest rates used for determining fair value*

The entity uses the government yield curve as of May 31, 2011 plus an adequate constant credit spread to discount financial instruments.

**16. CAPITAL RISK MANAGEMENT**

The Company considers its capital structure to consist of capital stock, contributed surplus and accumulated deficit. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support its exploration, development and operations activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its resource properties and maximize shareholder returns. The Company satisfies its capital requirements through careful management of its cash resources and by utilizing bank indebtedness or equity issues, as necessary, based on the prevalent economic conditions of both the industry and the capital markets and the underlying risk characteristics of the related assets. As at May 31, 2011, the Company had no bank debt.

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Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the three month period ended May 31, 2011. The Company is not subject to externally imposed capital requirements.

**17. RELATED PARTIES**

Related parties include key management personnel, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company who are not independent for the three months ended May 31, 2011 and 2010 was as follows.

	<u>2011</u>	<u>2010</u>
Aggregate compensation (all compensation, including below)	\$667,395	\$473,798
Share based compensations	\$317,406	\$179,141

**18. TRANSITION TO IFRS**

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

*IFRS Exceptions and Exemptions*

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

**(i) Property, plant and equipment**

IFRS 1 provides a one-time choice of measuring property, plant and equipment at its fair value as deemed cost at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. For the purpose of subsequent measurement, the Company has elected to apply the cost model for property, plant & equipment rather than the fair value model available under IFRS. The Company has elected not to use fair value as historical cost bases under Canadian GAAP have been determined to be substantially the same as under IFRS at the transition date of March 1, 2010.

**(ii) ARO liability**

The Company has elected to apply exemption from full retrospective application of IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities ("IFRIC 1") to the Company's decommissioning liabilities included in the cost of property, plant and equipment. In accordance with this IFRS 1 optional exemption, decommissioning and restoration liabilities of the Company are measured as at the date of transition to IFRS in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. To the extent that the liability is within the scope of IFRIC 1, the amount that would have been included in the cost of the related asset when the liability first arose is determined by discounting the liability to that date using the best estimate of the historical risk free discount rates(s) that would have applied for that liability of the intervening period. Depreciation charges based on the adjusted cost is applied prospectively from March 1, 2010.

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**(iii) Share-based payments**

The Company has applied the share-based payments exemption in IFRS 1 to apply IFRS 2 "Share based Payments" only to equity instruments that were issued after November 7, 2002 and had not vested by the transition date.

**(iv) Business combinations**

The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

**(v) Leases**

The Company has elected under IFRS 1 not to reassess whether an arrangement contains a lease under IFRIC 4 for contracts that were assessed under previous Canadian GAAP. Arrangements entered into before the effective date of EIC 150 that have not subsequently been assessed under EIC 150, were assessed under IFRIC 4, and no additional leases were identified.

**(vi) Functional currency**

IFRS 1 provides an exemption to not apply the guidance of IAS 21, *The Effects of Changes in Foreign Exchange Rates*, for cumulative translation adjustments that existed at the Transition Date. Retrospective application of IAS 21 would require the Company to determine cumulative currency translation differences from the date a subsidiary or other investee was formed or acquired. The Company has elected to apply the exemption under IFRS 1 and as such, reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS.

*Mandatory exceptions to retrospective application*

In preparing these condensed consolidated interim financial statements in accordance with IFRS 1 the Company has applied certain mandatory exceptions from full retrospective application of IFRS. The mandatory exceptions applied from full retrospective application of IFRS are described below.

**Estimates**

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

Other IFRS-1 exemptions and mandatory exceptions have not been discussed above as they are not applicable to the Company.

In preparing its opening IFRS balance sheet, the Company has adjusted certain amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance is set out in the following tables and the additional notes that accompany the tables.

The Company's first-time adoption did not have significant impact on the total operating, investing or financing cash flows.

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**Reconciliation of equity:**

	Notes	March 1, 2010			May 31, 2010			February 28, 2011		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents		19,846,495	-	19,846,495	20,883,110	-	20,883,110	25,666,536	-	25,666,536
Restricted cash		826,389	-	826,389	814,708	-	814,708	718,970	-	718,970
Marketable securities		473,002	-	473,002	313,500	-	313,500	162,850	-	162,850
Accounts receivable		276,192	-	276,192	340,009	-	340,009	696,922	-	696,922
Prepaid expenses		191,849	-	191,849	225,780	-	225,780	567,586	-	567,586
		21,613,927	-	21,613,927	22,577,107	-	22,577,107	27,812,864	-	27,812,864
Investment in Takara Resources Inc.		-	-	-	3,303,171	-	3,303,171	2,859,887	-	2,859,887
Property and equipment		975,441	-	975,441	424,831	-	424,831	5,460,467	-	5,460,467
Deferred transaction costs		-	-	-	-	-	-	-	-	-
Resource properties	c) & f)	53,241,098	(1,757,568)	51,483,530	54,876,158	(1,646,741)	53,229,417	70,685,263	(4,663,628)	66,021,635
<b>Total assets</b>		<b>75,830,466</b>	<b>(1,757,568)</b>	<b>74,072,898</b>	<b>81,181,267</b>	<b>(1,646,741)</b>	<b>79,534,526</b>	<b>106,818,481</b>	<b>(4,663,628)</b>	<b>102,154,853</b>
<b>Liabilities and Shareholders' Equity</b>										
<b>Current liabilities</b>										
Accounts payable and accrued liabilities		4,034,846	-	4,034,846	2,966,285	-	2,966,285	2,300,914	-	2,300,914
Deferred premium	a) (1)	-	-	-	-	820,000	820,000	-	-	-
Current portion of ARO		24,381	-	24,381	24,233	-	24,233	22,558	-	22,558
		4,059,227	-	4,059,227	2,990,518	820,000	3,810,518	2,323,472	-	2,323,472
Asset retirement obligations ("ARO")	c)	719,765	169,695	889,460	728,545	169,695	898,240	1,001,787	169,695	1,171,482
		4,778,992	169,695	4,948,687	3,719,063	989,695	4,708,758	3,325,259	169,695	3,494,954
<b>Shareholders' Equity</b>										
Capital stock	a)	89,376,881	(6,982)	89,369,899	96,001,907	(826,982)	95,174,925	123,875,070	263,592	124,138,662
Warrants										
Contributed surplus	b)	9,039,932	322,733	9,362,665	8,894,056	189,252	9,083,308	9,540,337	8,327	9,548,664
Accumulated other comprehensive loss	f)	-	(1,927,263)	(1,927,263)	-	(1,816,436)	(1,816,436)	-	(4,833,323)	(4,833,323)
Deficit	a) & b)	(27,365,339)	(315,751)	(27,681,090)	(27,433,759)	(182,270)	(27,616,029)	(29,922,185)	(271,919)	(30,194,104)
<b>Total equity</b>		<b>71,051,474</b>	<b>(1,927,263)</b>	<b>69,124,211</b>	<b>77,462,204</b>	<b>(2,636,436)</b>	<b>74,825,768</b>	<b>103,493,222</b>	<b>(4,833,323)</b>	<b>98,659,899</b>
<b>Total liabilities and equity</b>		<b>75,830,466</b>	<b>(1,757,568)</b>	<b>74,072,898</b>	<b>81,181,267</b>	<b>(1,646,741)</b>	<b>79,534,526</b>	<b>106,818,481</b>	<b>(4,663,628)</b>	<b>102,154,853</b>

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## Reconciliation of loss and comprehensive loss for the three months period ended May 31, 2010 and year ended February 28, 2011:

	Notes	For the three months ended May 31, 2010			For the year ended February 28, 2011		
		Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
<b>Expenses</b>							
Share-based payments	b)	288,844	(133,481)	155,363	982,472	(314,406)	668,066
Salaries and benefits excluding share-based payments		362,469	-	362,469	1,399,548	-	1,399,548
Office and administrative		113,237	-	113,237	588,332	-	588,332
Consulting		60,006	-	60,006	144,193	-	144,193
Marketing		119,393	-	119,393	394,744	-	394,744
Legal and accounting		67,978	-	67,978	404,313	-	404,313
Amortization		27,240	-	27,240	56,691	-	56,691
Resource property costs and impairments		2,761	-	2,761	2,761	-	2,761
		1,041,928	(133,481)	908,447	3,973,054	(314,406)	3,658,648
<b>Loss before the undernoted</b>		<b>(1,041,928)</b>	<b>133,481</b>	<b>(908,447)</b>	<b>(3,973,054)</b>	<b>314,406</b>	<b>(3,658,648)</b>
Premium on flow-through shares	a) (1)	-	-	-	-	(820,000)	(820,000)
Foreign exchange loss (gain)		(34,808)	-	(34,808)	314,761	-	314,761
Share of net loss of equity investment		-	-	-	443,284	-	443,284
Change in fair value of marketable securities		139,426	-	139,426	4,577	-	4,577
(Gain) loss on disposal of mineral properties		(1,035,346)	-	(1,035,346)	(902,292)	-	(902,292)
(Gain) loss on sale of short term investments		(44,205)	-	(44,205)	(18,788)	-	(18,788)
(Gain) on joint venture investment		-	-	-	-	-	-
Interest and bank charges		10,885	-	10,885	21,356	-	21,356
Interest income		(9,460)	-	(9,460)	(188,532)	-	(188,532)
		(973,508)	-	(973,508)	(325,634)	(820,000)	(1,145,634)
<b>Income (loss) before taxes</b>		<b>(68,420)</b>	<b>133,481</b>	<b>65,061</b>	<b>(3,647,420)</b>	<b>1,134,406</b>	<b>(2,513,014)</b>
Income tax recovery	a) (2)	-	-	-	1,090,574	(1,090,574)	-
<b>Net income (loss) for the period</b>		<b>(68,420)</b>	<b>133,481</b>	<b>65,061</b>	<b>(2,556,846)</b>	<b>2,224,980</b>	<b>(2,513,014)</b>
<b>Net income (loss) per share:</b>							
Basic and diluted gain (loss) per		(0.000)		0.000	(0.010)		(0.010)
<b>Weighted average number of shares</b>							
Basic and diluted		228,036,637		228,036,637	254,418,707		254,418,707



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## Notes to the reconciliation of equity and net loss and comprehensive loss

### a) Flow through shares and deferred taxes

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

As part of the transition to IFRS the Company adopted a policy to (i) allocate the proceeds between the offering of the shares and the sale of tax benefits when the shares are offered and (ii) recognize an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred. In particular, the corresponding reduction of share capital in respect of flow-through share financing as previously recorded under Canadian GAAP is now recorded as an expense in the statements of loss and comprehensive loss.

Pursuant to the above policy the allocation of the proceeds from flow through share issuance is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of premium liability is recorded in other income upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

The effects of this transitional change are as follows:

- (1) Premium on flow-through shares: (i) decreased share capital and deficit at March 1, 2010 by \$507,727, to recognize the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features; (ii) increased deferred premium (liability) and decreased share capital by \$820,000 for the 3 months ended May 31, 2010 and the year ended February 28, 2011 and (iii) decreased deferred premium (liability) and increased other income by \$820,000 as at February 28, 2011 to reflect the qualifying flow-through expenditures completed prior to February 28, 2011.
- (2) Renouncement of flow through tax credits: (i) increased share capital and deficit by \$500,745 at March 1, 2010 and (ii) increased share capital and deferred tax provision expense by \$1,090,574 for the year ended February 28, 2011 to recognize an income tax provision upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures previously incurred.

### b) Share based payments

Under IFRS graded vesting awards are accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. Straight line basis is permissible under Canadian GAAP. Under IFRS, the estimates of the number of equity-settled awards that vest are adjusted to the actual number that vests, unless forfeitures are due to market-based conditions. There is no choice to accrue compensation cost as if all instruments granted were expected to vest and recognize the effect of the forfeitures as they occur as elected by the Company under Canadian GAAP. The impact of transition to IFRS with respect to options granted after November 7, 2002 that vest after the date of transition, is as follows: (i) increased deficit and contributed surplus by \$322,733 at March 1, 2010, (ii) decreased share-based payments expense and contributed surplus by \$133,481 for the 3 months ended May 31, 2010 and (iii) decreased share-based payments expense and contributed surplus by \$314,406 for the year ended February 28, 2011.

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(an exploration and development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended May 31, 2011 and 2010

(Unaudited)

(Expressed in Canadian Dollars)

## c) Asset retirement obligation (Refer to item (ii) ARO liability under *IFRS Exemptions and choices*)

The Company has recalculated the revised asset retirement obligation by applying the revised discount rate applicable to the project liability. The impact on the previously reported amounts is as follows: As at March 1, 2010, May 31, 2010 and February 28, 2011: increase in resource properties and ARO liability of \$169,695. The corresponding income statement impact with respect to accretion expense and depreciation charge have been determined to be immaterial.

## d) Impairment

Under IFRS an impairment loss is determined as the excess of the carrying amount of an asset or group of assets above the recoverable amount (the higher of fair value less costs to sell and value in use) with impairment loss being reversed in subsequent periods to reflect changes in the factors that gave rise to the impairment. Pursuant to the guidelines in IFRS 6, *Exploration for and Evaluation of Mineral Resources* the Company has determined that there were no indicators as of the transition date of March 1, 2010 or subsequent to that date that suggested that the impairment assessment was required to be performed.

## e) Impact on deficit

The effect of the above adjustments on deficit is as follows:

		March 1	May 31	February 28
	Notes	2010	2010	2011
<b>Canadian GAAP:</b>		(27,365,339)	(27,433,759)	(29,922,185)
Share-based payments	b)	(322,733)	(189,252)	(8,327)
Cummulative premium on flow-through shares	a) (1)	507,727	507,727	1,327,727
Deferred income tax - flow-through shares	a) (2)	(500,745)	(500,745)	(1,591,319)
<b>IFRS:</b>		(27,681,090)	(27,616,029)	(30,194,104)

## f) IAS 21 adjustment

Under IFRS, functional currency is determined on an entity-by-entity basis as the primary economic environment in which each entity operates. The hierarchy of factors explicitly described by IAS 21 *The Effects of Changes in Foreign Exchange Rates* in this determination has led to a change in the functional currency of certain foreign subsidiaries from Canadian dollar to United States dollars due to a number of factors. The result is an adjustment to resource properties and translation reserve as follows:

March 1, 2010 – Decrease in mineral assets and translation reserve of \$1,927,263

May 31, 2010 - Increase in mineral assets and translation reserve of \$110,826

February 28, 2011 – Decrease in mineral assets and translation reserve of \$2,906,060

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(Unaudited)

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## 19. SEGMENTED INFORMATION

The Company's principal activity is the exploration and development of mineral properties. The Company's resource properties are located in the Canada and the United States. A breakdown of mineral properties by geographic expenditures is disclosed in *Note 8*.

In \$m's (Cdn \$)	Canada	USA	Corporate	Total
<b>May 31, 2011</b>				
Net Assets	47.6	37.9	17.5	103.0
Net loss/(gain)	0.1	-	1.2	1.3
<b>February 28, 2011</b>				
Net Assets	40.4	36.5	25.3	102.2
Net loss/(gain)	(0.6)	-	3.8	4.2

## 20. SUPPLEMENTRY CASH FLOW INFORMATION

	May 31, 2011	February 28, 2011
Non-cash investing and financing activities:		
Accounts payable and accrued liabilities relating to resource property expenditures	\$ 3,132,295	\$ 1,622,084
Fair value assigned to Agents' warrants ( <i>Note 12</i> )	\$ -	\$ -
Stock-based compensation, capitalized to resource properties ( <i>Note 12</i> )	\$ 244,741	\$ 692,534
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -