



(an exploration and development stage company)

**Condensed Consolidated Interim Financial Statements**

**August 31, 2012 and 2011**

*(Unaudited)*  
*(Expressed in Canadian Dollars)*

## **Victoria Gold Corp.**

(an exploration and development stage company)  
August 31, 2012 and February 29, 2012

### ***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"). Financial statements include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances to ensure that the consolidated 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 fulfills 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 consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial reporting standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "John McConnell"  
Director, President and CEO  
October 30, 2012

(signed) "Marty Rendall"  
CFO  
October 30, 2012

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

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

*(Unaudited)*

*(Expressed in Canadian Dollars)*

	<b>Notes</b>	<b>August 31, 2012</b>	<b>February 29, 2012</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 24,331,058	\$ 19,663,714
Marketable securities	5	7,590,573	404,350
HST and other receivables	18	9,782,649	373,512
Prepaid expenses		612,839	516,946
		<u>42,317,119</u>	<u>20,958,522</u>
Assets held for sale	17	-	29,084,395
<b>Non-current assets</b>			
Restricted cash		816,918	838,133
Investment in associate	6	841,300	1,040,962
Long-term receivable	18	8,858,375	-
Property and equipment	7	5,726,611	6,025,612
Resource properties	8	88,431,473	69,807,669
		<u>\$ 146,991,796</u>	<u>\$ 127,755,293</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 3,461,511	\$ 4,845,724
Income taxes payable		1,400,168	-
Current portion of ARO	10	1,019,009	85,995
		<u>5,880,688</u>	<u>4,931,719</u>
<b>Non-current liabilities</b>			
Deferred taxes		2,745,585	-
Asset retirement obligations ("ARO")	10	797,609	986,458
		<u>9,423,882</u>	<u>5,918,177</u>
<b>Shareholders' Equity</b>			
Share capital	11	151,560,587	151,388,890
Contributed surplus	12	12,144,195	11,501,792
Accumulated other comprehensive loss		(3,542,329)	(3,358,803)
Accumulated deficit		(22,594,539)	(37,694,763)
		<u>137,567,914</u>	<u>121,837,116</u>
<b>Total liabilities and equity</b>		<u>\$ 146,991,796</u>	<u>\$ 127,755,293</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 October 30th, 2012  
and signed on its behalf.**

"T. Sean Harvey"

Director

"Chris Hill"

Director

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

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	For the three months ended August 31,		For the six months ended August 31,	
		2012	2011	2012	2011
<b>Operating expenses</b>					
Salaries and benefits excluding share-based payments		\$ 434,374	\$ 398,306	\$ 797,667	\$ 830,552
Share-based payments	12	185,821	158,810	471,849	519,061
Consulting		330,857	(10,118)	453,440	41,932
Office and administrative		182,031	164,845	340,077	307,648
Legal and accounting		146,282	69,641	307,578	213,246
Marketing		26,770	146,093	58,277	208,881
Amortization		5,479	5,538	10,364	9,928
Foreign exchange loss (gain)		(1,476,373)	(52,668)	(1,512,278)	(29,659)
Gain on disposal of assets held for sale		(16,650,035)		(21,526,421)	-
		(16,814,794)	880,447	(20,599,447)	2,101,589
<b>Finance (income) costs</b>					
Unwinding of present value discount: ARO		4,322	10,981	9,403	21,939
Interest and bank charges		3,545	2,167	5,048	3,267
Interest income	18	(320,017)	(26,239)	(350,714)	(75,514)
Change in fair value of marketable securities and warrants		(96,886)	11,100	1,475,806	44,400
		(409,036)	(1,991)	1,139,543	(5,908)
Share of net loss of associate	6	48,095	105,868	134,995	213,145
<b>Income (loss) before taxes</b>					
		17,175,735	(984,324)	19,324,909	(2,308,826)
Current income taxes	19	(1,426,826)	-	(1,426,826)	-
Deferred tax provision	19	(2,797,859)	-	(2,797,859)	-
<b>Net income (loss)</b>					
		12,951,050	(984,324)	15,100,224	(2,308,826)
<b>Other Comprehensive income (loss)</b>					
Currency translation adjustment		(2,088,529)	480,072	(118,859)	285,932
Share of other comprehensive income (loss) of associate		(40,188)	56,208	(64,667)	200,688
<b>Total comprehensive income (loss) for the period</b>					
		\$ 10,822,333	\$ (448,044)	\$ 14,916,698	\$ (1,822,206)
<b>Income (loss) per share - basic and diluted</b>					
	9	\$ 0.038	\$ (0.004)	\$ 0.044	\$ (0.008)
<b>Weighted average number of shares</b>					
Basic and diluted		339,467,621	276,978,565	339,416,110	276,950,822

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				
Balance at March 1, 2011		276,922,262	\$ 124,138,662	\$ 9,548,664	\$ (2,906,060)	\$ (32,121,367)	\$ 98,659,899
<b>Transactions with owners:</b>							
Proceeds from stock options exercised		105,000	40,075				40,075
Fair values allocated upon exercise:							
Stock options			15,226	(15,226)			-
Share-based payments, expensed				519,061			519,061
Share-based payments, capitalized				418,040			418,040
Total transactions with owners:		105,000	55,301	921,875	-	-	977,176
Net loss for the period						(2,308,826)	(2,308,826)
<b>Other comprehensive income/(loss):</b>							
Share of other comprehensive income of associates					200,688		200,688
Currency translation adjustment					285,932		285,932
<b>Balance at August 31, 2011</b>	11	<b>277,027,262</b>	<b>\$ 124,193,963</b>	<b>\$ 10,470,539</b>	<b>\$ (2,419,440)</b>	<b>\$ (34,430,193)</b>	<b>\$ 97,814,869</b>
Balance at March 1, 2012		339,364,598	\$ 151,388,890	\$ 11,501,792	\$ (3,358,803)	\$ (37,694,763)	\$ 121,837,116
<b>Transactions with owners:</b>							
Proceeds from stock options exercised		509,375	106,969				106,969
Fair values allocated upon exercise:							
Stock options			64,728	(64,728)			-
Share-based payments, expensed				471,849			471,849
Share-based payments, capitalized				235,282			235,282
Total transactions with owners:		509,375	171,697	642,403	-	-	814,100
Net income for the period						15,100,224	15,100,224
<b>Other comprehensive income/(loss):</b>							
Share of other comprehensive loss of associates					(64,667)		(64,667)
Currency translation adjustment					(118,859)		(118,859)
<b>Balance at August 31, 2012</b>	11	<b>339,873,973</b>	<b>\$ 151,560,587</b>	<b>\$ 12,144,195</b>	<b>\$ (3,542,329)</b>	<b>\$ (22,594,539)</b>	<b>\$ 137,567,914</b>

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)*

		<b>For the six months ended August 31,</b>	
	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>			
Net income (loss) for the period		\$ 15,100,224	\$ (2,308,826)
<b>Adjustments for:</b>			
Share-based payments	12	471,849	519,061
Income taxes	19	4,145,753	-
Gain on disposal of property and equipment		(10,168)	-
Share of net loss of associate		134,995	213,145
Unwinding of present value discount: ARO	10	9,403	21,939
Gain on sale of assets held for sale		(21,581,009)	-
Increase in marketable securities and warrants	5	-	(12,000)
Change in fair value of marketable securities and warrants		1,475,806	44,400
Unwinding of present value discount: Receivables	18	(256,655)	-
Amortization		10,364	9,928
Net unrealized foreign exchange gain		(1,117,060)	(13,984)
		(1,616,498)	(1,526,337)
<b>Working capital adjustments:</b>			
(Increase) decrease in HST and other receivables		129,574	(148,878)
(Increase) decrease in prepaid expenses		(194,929)	(98,440)
Increase (decrease) in accounts payables and accrued liabilities		398,922	1,536,051
		333,567	1,288,733
<b>Net cash flows from (used in) operating activities</b>		(1,282,931)	(237,604)
<b>Cash flows used in investing activities</b>			
Resource properties	8	(15,250,392)	(15,234,894)
Cash received from disposition of assets held for sale		21,168,253	-
Restricted cash		(21,295)	(5,575)
Purchase of property and equipment		(67,157)	(1,063,801)
Proceeds on disposition of property and equipment		14,285	-
<b>Net cash flows used in investing activities</b>		5,843,694	(16,304,270)
<b>Cash flows from financing activities</b>			
Exercise of warrants and options	11 & 12	106,969	40,075
<b>Net cash flows from financing activities</b>		106,969	40,075
Foreign exchange gain (loss) on cash balances		(388)	21,691
<b>Net increase (decrease) in cash and cash equivalents</b>		4,667,344	(16,480,108)
Cash and cash equivalents, beginning of the period		19,663,714	25,666,536
<b>Cash and cash equivalents, end of the period</b>		\$ 24,331,058	\$ 9,186,428

See accompanying notes to the condensed consolidated interim financial statements. Supplementary Cash Flow information is Note 16.

# Victoria Gold Corp.

(an exploration and development stage company)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended August 31, 2012 and 2011

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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.

At August 31, 2012, Victoria Gold Corp. ("Victoria" or "the Company") had a working capital surplus of \$36,436,431 (compared with a surplus of \$16,026,803 at February 29, 2012), reported a net gain of \$15,100,224 (2011 net loss - \$2,308,826) and accumulated deficit of \$22,594,539 (\$37,694,763 at February 29, 2012). The Company's ability to meet its obligations and maintain operations is contingent upon successful completion of additional financing arrangements and its ability to fulfil its planned exploration programme. The Company periodically seeks financing to continue the exploration and development of its resource properties and to meet its on-going administrative requirements. Although the Company has been successful in raising funds to date, 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 ultimate appropriateness of the use of accounting principles applicable to a going concern.

These condensed consolidated interim financial statements have been prepared using IFRS applicable to a going concern, 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 condensed consolidated interim 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 unaudited condensed consolidated interim financial statements for the period ended August 31, 2012 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended February 29, 2012, which have been prepared in accordance with IFRSs.

These condensed consolidated interim 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,

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

# Victoria Gold Corp.

(an exploration and development stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended August 31, 2012 and 2011

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(Unaudited)

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StrataGold Corporation, StrataGold (Barbados) Corporation, Tassawini Gold (Barbados) Corporation and (together referred to as "StrataGold") were acquired by the Company on June 4, 2009.

During the year ended February 29, 2012, the Company dissolved StrataGold (Barbados) Corporation, a Barbados corporation and Tassawini Gold (Barbados) Corporation, a Barbados corporation.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual results could differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended February 29, 2012, with the exception of a new estimate required to apply a credit adjusted discount rate to the Cove sale receivables (*Note 18*).

### 5. MARKETABLE SECURITIES AND WARRANTS

	August 31, 2012	February 29, 2012
<b>Current investments</b>		
Opening balance	\$ 404,350	\$ 162,850
Additions	8,662,029	306,500
Change in fair value	(1,475,806)	(65,000)
Financial assets at fair value through profit and loss	<u>\$ 7,590,573</u>	<u>\$ 404,350</u>

During the six months ended August 31, 2012, 892,857 shares of Premier Gold were received as a result of the Cove sale and 10,000,000 shares and 5,000,000 warrants of Pershing Gold were received as a result of the Relief Canyon sale (*Note 17*).

### 6. INVESTMENT IN ASSOCIATE

	August 31, 2012	February 29, 2012
Takara Resources Inc. – 22,208,355 common shares	\$ 1,040,962	\$ 2,859,887
Share of net loss	(134,995)	(377,733)
Impairment of investment in associate	-	(1,527,122)
Share of other comprehensive (loss) income	(64,667)	85,930
	<u>\$ 841,300</u>	<u>\$ 1,040,962</u>

At August 31, 2012, the Company held 23.42% of the issued and outstanding shares of Takara.



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**7. PROPERTY AND EQUIPMENT**

	Other assets	Assets under construction	Buildings/structure	Field & automotive equipment	Leasehold improvements	Land	Total
<b>Cost</b>							
<b>March 1, 2011</b>	\$ 105,350	\$ 5,023,380	\$ -	\$ 104,277	\$ -	\$ 307,855	\$ 5,540,862
Additions	-	(5,023,380)	5,023,380	-	-	-	-
Disposals	202,288	-	916,139	81,770	139,542	-	1,339,739
<b>February 29, 2012</b>	307,638	-	5,939,519	186,047	139,542	307,855	6,880,601
Additions	30,468	-	24,833	11,856	-	-	67,157
Disposals	-	-	-	(12,397)	-	-	(12,397)
<b>August 31, 2012</b>	\$ 338,106	\$ -	\$ 5,964,352	\$ 185,506	\$ 139,542	\$ 307,855	\$ 6,935,361
<b>Accumulated amortization</b>							
<b>March 1, 2011</b>	\$ 30,514	\$ -	\$ -	\$ 49,881	\$ -	\$ -	\$ 80,395
Additions	87,091	-	654,573	18,976	13,954	-	774,594
<b>February 29, 2012</b>	117,605	-	654,573	68,857	13,954	-	854,989
Additions	45,906	-	292,631	10,947	12,558	-	362,042
Disposals	-	-	-	(8,281)	-	-	(8,281)
<b>August 31, 2012</b>	\$ 163,511	\$ -	\$ 947,204	\$ 71,523	\$ 26,512	\$ -	\$ 1,208,750
<b>Net book value</b>							
<b>March 1, 2011</b>	\$ 74,836	\$ 5,023,380	\$ -	\$ 54,396	\$ -	\$ 307,855	\$ 5,460,467
<b>February 29, 2012</b>	\$ 190,033	\$ -	\$ 5,284,946	\$ 117,190	\$ 125,588	\$ 307,855	\$ 6,025,612
<b>August 31, 2012</b>	\$ 174,595	\$ -	\$ 5,017,148	\$ 113,983	\$ 113,030	\$ 307,855	\$ 5,726,611

During the year ended February 29, 2012, the all-season camp located at Dublin Gulch was transferred from assets under construction to buildings/structure.

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended August 31, 2012 and 2011

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## 8. RESOURCE PROPERTIES

	February 2011	Additions	Currency Translation	Transfers (Note 17)	February 29, 2012
Mill Canyon (Nevada)	\$10,847,621	\$ 815,436	\$(1,230,574)	\$ (10,432,483)	\$ -
Cove (Nevada)	13,430,402	3,172,778	486,507	(17,089,687)	-
Big Springs (Nevada) *	6,327,840	559,184	(130,948)	-	\$ 6,756,076
Santa Fe (Nevada)	3,846,239	358,396	134,022	-	4,338,657
Dublin Gulch (Yukon)	29,435,506	28,469,636	-	-	57,905,142
Other properties ***	2,134,027	144,425	91,568	(1,562,225)	807,795
	<u>\$66,021,635</u>	<u>\$33,519,855</u>	<u>\$ (649,425)</u>	<u>\$ (29,084,395)</u>	<u>\$ 69,807,669</u>
	February 29, 2012	Additions	Currency Translation		August 31, 2012
Big Springs (Nevada) *	\$ 6,756,076	\$ 357,657	\$ (65,705)		\$ 7,048,027
Santa Fe (Nevada) **	4,338,657	5,270,007	(42,195)		9,566,469
Dublin Gulch (Yukon)	57,905,142	13,063,454	-		70,968,596
Other properties ***	807,795	40,585	-		848,380
	<u>\$ 69,807,669</u>	<u>\$18,731,703</u>	<u>\$ (107,900)</u>		<u>\$ 88,431,473</u>

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

\*\* Santa Fe additions include additional rights, title and interest acquired from the Mill Canyon sale (Note 17).

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

## 9. INCOME (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.

	For the three months ended August 31,		For the six months ended August 31,	
	2012	2011	2012	2011
Net income (loss)	\$ 12,951,050	\$ (984,324)	\$15,100,224	\$ (2,308,826)
Weighted average number of common shares issued	<u>339,467,621</u>	<u>276,978,565</u>	<u>339,416,110</u>	<u>276,950,822</u>
Basic earnings (loss) per share	<u>\$ 0.038</u>	<u>\$ (0.004)</u>	<u>\$ 0.044</u>	<u>\$ (0.008)</u>

### (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.

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**(an exploration and development stage company)**  
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*(Unaudited)*  
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	For the three months August 31,		For the six months ended August 31,	
	2012	2011	2012	2011
Net income (loss) attributable to common shareholders	\$ 12,951,050	\$ (984,324)	\$15,100,224	\$ (2,308,826)
Weighted average number of common shares issued	339,467,621	276,978,565	339,416,110	276,950,822
Adjustment for:				
Warrants	-	-	-	-
Stock options	-	-	1,680,000	-
Weighted average number of ordinary shares for diluted earnings per share	339,467,621	276,978,565	341,096,110	276,950,822
Diluted earnings (loss) per share	\$ 0.038	\$ (0.004)	\$ 0.044	\$ (0.008)

**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 estimated future cash expenditures for reclamation and closure activities. 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. The Company's asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with the Black Canyon, Santa Fe, 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 reporting date using the assumptions:

- Total undiscounted amount of inflation adjusted future reclamation costs was determined to be \$2,332,630;
- Weighted average risk-free interest rate at 1.9% and a long-term inflation rate of 2.0%;
- Expected timing of risk adjusted cash outflows required to settle the obligation will be incurred over the period through 2025.

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

	August 31, 2012	February 29, 2012
Balance, beginning of period	\$ 1,072,453	\$ 1,194,040
Unwinding of discount: ARO	9,403	44,403
Currency translation	(190)	(110,752)
Change in ARO estimates capitalized to resource properties	734,951	(55,238)
Balance, end of period	1,816,618	1,072,453
Less: Current portion	(1,019,009)	(85,995)
Long-term liability	\$ 797,609	\$ 986,458

During the quarter, the Company recorded an additional \$1 million asset retirement obligation in connection with their increased interest in the Santa Fe property for work that may be performed in the coming year, offset

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by a reduction of approximately \$255 thousand related to asset retirement obligations on the sold properties of Cove, Relief Canyon and Mill Canyon (*Note 17*).

**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 339,873,973 and 277,027,262 shares as at August 31, 2012 and 2011, respectively.

*Warrants*

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

	August 31, 2012			February 29, 2012		
	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	4,776,000	\$ 0.55	\$ 999,456
Exercised	-	-	-	-	\$ -	-
Expired	(4,776,000)	0.55	(999,456)	-	\$ -	-
Outstanding, end of the period	-		\$ -	4,776,000	\$ 0.55	\$ 999,456

**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 August 31, 2012, 17,455,922 (13,985,302 as at February 29, 2012) 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.

A summary of the status of the Plan as at August 31, 2012 and as at February 29, 2012, and changes during the periods ended on those dates is presented below:

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	August 31, 2012			February 29, 2012		
	Number of stock options	Weighted average exercise price	Fair Value Assigned	Number of stock options	Weighted average exercise price	Fair Value Assigned
Outstanding, beginning of the period	19,951,157	\$ 0.59	\$6,695,104	13,782,340	\$ 0.71	\$5,325,059
Granted	930,000	\$ 0.27	155,031	7,825,000	\$ 0.46	2,144,875
Exercised	(509,375)	\$ 0.21	(64,728)	(105,000)	\$ 0.36	(15,223)
Expired	(3,579,359)	\$ 0.67	(1,487,179)	(907,433)	\$ 1.10	(381,346)
Forfeited	(1,038,750)	\$ 0.50	(314,280)	(643,750)	\$ 1.04	(378,261)
Outstanding, end of the period	15,753,673	\$ 0.57	\$4,983,948	19,951,157	\$ 0.59	\$6,695,104

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As at August 31, 2012, 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
September 17, 2007	120,000	120,000	\$ 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	53,083	53,083	\$ 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	1,680,000	1,680,000	\$ 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	550,000	550,000	\$ 0.38	September 21, 2014
December 18, 2009	1,705,000	1,705,000	\$ 0.70	December 18, 2014
October 8, 2010	386,250	386,250	\$ 1.25	October 8, 2015
February 9, 2011	1,869,375	1,869,375	\$ 1.05	February 9, 2016
May 18, 2011	223,750	171,250	\$ 0.74	May 18, 2016
August 22, 2011	612,500	406,250	\$ 0.65	August 22, 2016
September 8, 2011	600,000	300,000	\$ 0.69	September 8, 2014
September 8, 2011	110,000	55,000	\$ 0.57	September 8, 2016
January 20, 2012	5,275,000	2,171,875	\$ 0.40	January 20, 2017
May 28, 2012	930,000	232,500	\$ 0.27	May 28, 2017
	15,753,673	11,339,298		

The September 17, October 1 and 23, 2007 granted options have since expired without being exercised.

The fair value of each option is accounted for in the statement of comprehensive loss or capitalized to resource properties over the vesting period of the options, and the related credit is included in the contributed surplus.

On May 28, 2012, the Company granted 930,000 incentive stock options with an exercise price of \$0.27 per option to employees of the Company. The stock options have a term of five years and expire on May 28, 2017. The fair value of these options totalling \$155,031 will be recognized (capitalized to resource properties) over the vesting periods, of which \$79,334 has been recognized as at August 31, 2012. The fair value of these options was calculated based on a risk-free annual interest rate of 1.55%, an expected life of 4.9 years, an expected volatility of 83% and a dividend yield rate of nil. This results in an estimated value of \$0.17 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. The Company uses a forfeiture rate of 2.86%.

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### 13. 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 six months ended August 31, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Salaries and other short term employment benefits	\$ 776,833	\$ 611,252
Share based compensation	\$ 318,582	\$ 417,855

The amounts above have been awarded solely to officers of the Company for work performed in their full-time capacity for the Company.

### 14. COMMITMENTS AND CONTINGENCIES

#### Operating Leases

At August 31, 2012, 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, 2013	\$ 258,347	\$ 15,075
to February 28, 2014	376,862	15,075
to February 28, 2015	353,837	-
to February 28, 2016	332,906	-
to February 29, 2017 and thereafter	99,583	-
Total	\$ 1,421,535	\$ 30,150

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### 15. 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 millions of Cdn \$	Canada	USA	Corporate	Total
<b>August 31, 2012</b>				
Assets held for sale ( <i>Note 17</i> )	-	-	-	-
Investment in associate ( <i>Note 6</i> )	0.8	-	-	0.8
Property and equipment	5.7	-	-	5.7
Resource properties	71.8	16.6	-	88.4
Total Assets	79.8	34.9	32.3	147.0
Net loss/(gain)	0.2	(17.6)	2.3	(15.1)
<b>February 29, 2012</b>				
Assets held for sale ( <i>Note 17</i> )	-	29.1	-	29.1
Investment in associate ( <i>Note 6</i> )	1.0	-	-	1.0
Property and equipment	5.9	-	0.1	6.0
Resource properties	58.7	11.1	-	69.8
Total Assets	74.6	40.2	13.0	127.8
Net loss/(gain)	2.0	-	3.6	5.6

### 16. SUPPLEMENTARY CASH FLOW INFORMATION

	August 31, 2012	February 29, 2012
Non-cash investing and financing activities:		
Accounts payable and accrued liabilities relating to resource property expenditures	\$ 2,387,792	\$ 4,187,462
Stock-based compensation, capitalized to resource properties ( <i>Note 12</i> )	\$ 235,282	\$ 839,347
Non cash proceeds on sale of assets held for sale	\$12,656,672	\$ -
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -



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## 17. ASSETS HELD FOR SALE

Certain of the Company's resources properties (*Note 8*) located in Nevada, USA, including Cove, Relief Canyon and Mill Canyon have been presented as held for sale following the approval of management's decision to sell them.

	February 29, 2012	Additions	Currency Translation	Sales	August 31, 2012
Mill Canyon (Nevada)	\$ 10,432,483	\$ (4,384)	\$ (4,082)	\$ (10,424,017)	\$ -
Relief Canyon (Nevada)	1,562,225	24,762	-	(1,586,987)	-
Cove (Nevada)	17,089,687	181,452	(6,687)	(17,264,452)	-
	<u>\$ 29,084,395</u>	<u>\$ 201,830</u>	<u>\$ (10,769)</u>	<u>\$ (29,275,456)</u>	<u>\$ -</u>

The Relief Canyon transaction closed on April 5, 2012 with proceeds of US\$2 million cash and 10 million shares valued at US\$0.37/share, of Pershing Gold Corp. common stock (OTCBB: PGLC) and 5 million warrants valued at US\$0.20/warrant, each exercisable into one share of common stock at \$0.60/share for two years. As additional consideration, Victoria will be granted a 2% net smelter return royalty on the production from all mining claims on the Property which are not subject to a royalty on behalf of Newmont. As a result of this transaction, the Company recognized a gain of approximately \$4.9 million during the first quarter.

The Mill Canyon transaction closed on June 1, 2012 with proceeds of US\$15 million cash plus Barrick Gold Corporation's right, title and interest in the Santa Fe Property, located in Mineral County, Nevada, valued at US\$4 million. Additionally, Victoria became entitled to receive a contingent cash payment based on the occurrence of certain future events. As a result of this transaction, the Company recognized a gain of approximately \$8.5 million during the second quarter.

The Cove transaction closed on June 14, 2012 with total consideration of up to \$48 million. Proceeds of \$4 million cash and \$4 million worth of Premier Gold Mines Limited ("Premier") common stock were received. An additional \$10 million is due on each of June 14, 2013 (*Note 18*) and June 14, 2014 (*Note 18*) and can be satisfied with up to 50% of Premier common stock, at their discretion. An additional, contingent \$20 million may be received in four instalments of \$5 million each upon the cumulative production, to Premier's account, of 250,000, 500,000, 750,000, and 1,000,000 troy ounces of gold from this Project. As a result of this transaction, the Company recognized a gain of approximately \$8.1 million during the second quarter.

## 18. RECEIVABLES

Following the completion of the Cove sale, the Company received a non-interest bearing promissory note from Premier. The nominal amount of the promissory note of \$20,000,000 (the present value of the promissory note, using a discount rate of 7% is \$18,080,181 as at June 14, 2012) will be received over the next two years. The value of the receivable is being accreted to the face value of the promissory note at its maturity date, with the charge to the statement of comprehensive income as a form of interest income over the term of the note.

Anniversary Date	Total receivable	August 31, 2012 Discounted Principal	August 31, 2012 Accredited interest
June 13, 2013	\$ 10,000,000	\$ 9,478,461	\$ 521,539
June 13, 2014	10,000,000	8,858,375	1,141,625
<b>Total</b>	<b>\$ 20,000,000</b>	<b>\$ 18,336,836</b>	<b>\$ 1,663,164</b>

During the quarter, \$256,655 was accreted to interest income as a result of the unwinding of the discount.

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### 19. INCOME TAXES

	For the three months ended		For the six months ended	
	August 31,		August 31,	
	2012	2011	2012	2011
Current	\$ 1,426,826	\$ -	\$ 1,426,826	\$ -
Deferred	2,797,859	-	2,797,859	-
Provision for income taxes	\$ 4,224,685	\$ -	\$ 4,224,685	\$ -

On an interim basis, income tax expense is recognized based on management's estimate of the corporate annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period, resulting from the sale of Relief Canyon, Mill Canyon and Cove (*Note 17*).