VICTORY RESOURCES CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2012

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed interim consolidated financial statements for the period ended November 30, 2012.

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	November 30, 2012	February 29, 2012
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	$ 71,542	$ 481,936
Receivables (Note 5)	186,209	67,238
Prepaid expenses (Note 6)	6,597	21,462
Total current assets	264,348	570,636
Non-current assets		
Equipment (Note 7)	112,240	134,161
Exploration and evaluation assets (Note 8)	10,145,218	6,093,675
Total non-current assets	10,257,458	6,227,836
Total assets	$ 10,521,806	$ 6,798,472
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 192,093	$ 107,217
Due to related parties (Note 10)	245,090	90,917
Total liabilities	437,183	198,134
Shareholders' equity		
Capital stock (Note 11)	24,392,211	18,947,344
Reserves (Note 11)	1,206,673	1,161,853
Share subscriptions received in advance	33,750	648,284
Deficit	(15,548,011)	(14,157,143)
Total shareholders' equity	10,084,623	6,600,338
Total liabilities and shareholders' equity	$ 10,521,806	$ 6,798,472

Nature and continuance of operations and going concern (Note 1)
Commitments (Note 15)
Segment information (Note 12)
Subsequent events (Note 16)

Approved and authorized by the Board on January 29, 2013.

"Wally Boguski"	Director	*"Paul Lee"*	Director
Wally Boguski		Paul Lee	

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

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended November 30, 2012	Three Months Ended November 30, 2011	Nine Months Ended November 30, 2012	Nine Months Ended November 30, 2011
EXPENSES				
Amortization	$ 8,990	$ 7,203	$ 27,012	$ 28,925
Consulting	(4,153)	5,815	137,346	85,841
Investor relations	5,555	-	22,905	-
Management and directors fees (Note 10)	21,000	21,000	54,113	63,000
Office and administration	(9,162)	(3,138)	119,815	38,799
Professional fees	64,679	98,895	195,339	184,793
Property investigation	-	6,820	-	6,820
Share-based payments (Note 11)	6,812	-	488,809	393,905
Transfer agent and filing fees	38,155	1,822	52,804	6,574
Travel	16,661	28,822	108,807	56,838
Wages and salaries (Note 10)	83,256	73,115	290,696	245,205
Loss before other items	(231,793)	(240,354)	(1,497,646)	(1,110,700)
OTHER ITEMS				
Interest income	362	22	362	60
Foreign exchange adjustments on translating foreign subsidiaries	-	(4,546)	-	(5,619)
Comprehensive loss	$ (231,431)	$ (244,878)	$ (1,497,284)	$ (1,116,259)
Basic and diluted loss per common share	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding	71,786,033	53,432,518	66,167,122	51,091,358

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

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Nine Months Ended November 30, 2012	Nine Months Ended November 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,497,284)	$ (1,116,259)
Items not affecting cash:		
Amortization	27,012	28,925
Share-based payment	488,809	393,905
	(981,463)	(693,429)
Non-cash working capital item changes:		
Receivables	(1,788)	(22,299)
Prepaid expenses	14,865	23,260
Payables and accrued liabilities	72,327	145,089
Net cash used in operating activities	(896,059)	(547,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(5,149)	-
Exploration advances	-	(4,353)
Exploration and evaluation expenditures	(1,353,994)	(344,186)
Proceeds from sale of equipment	-	34,597
Net cash used in investing activities	(1,359,143)	(313,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash, net of costs	537,434	158,500
Cash from warrants exercised	857,490	-
Cash from options exercised	370,000	-
Obligation to issue shares	33,750	-
Amounts due to related parties	36,990	67,840
Share subscription received in advance	-	401,455
Net cash provided by financing activities	1,855,664	627,795
Effect of foreign exchange rate on cash and cash equivalents balances	(10,856)	(94,800)
Change in cash and cash equivalents for the period	(410,394)	(328,326)
Cash and cash equivalents, beginning of the period	481,936	495,043
Cash and cash equivalents, end of the period	$ 71,542	$ 166,717
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 14)

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

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Capital Stock		Reserves						
	Number	Amount	Share-based payment	Foreign currency translation	Others	Total Reserves	Obligation to issue common shares	Deficit	Total equity
Balance as at February 28, 2011	46,099,685	$ 15,370,459	$ 601,589	$ (6,116)	$ 11,455	$ 606,928	$ -	$ (12,699,007)	$ 3,278,380
Private placement	-	-	-	-	-	-	401,455	-	401,455
Warrants exercise	1,585,000	158,500	-	-	-	-	-	-	158,500
Acquisition of mineral properties	6,000,000	2,280,000	-	-	-	-	-	-	2,280,000
Share-based payments	-	-	393,905	-	-	393,905	-	-	393,905
Foreign currency translation differences	-	-	-	(95,356)	-	(95,356)	-	-	(95,356)
Gain on sale of equipment	-	-	-	-	10,222	10,222	-	-	10,222
Loss for the period	-	-	-	-	-	-	-	(1,116,259)	(1,116,259)
Balance as at November 30, 2011	53,684,685	$ 17,808,959	$ 995,494	$ (101,472)	$ 21,677	$ 915,699	$ 401,455	$ (13,815,266)	$ 5,310,847
Balance as at February 29, 2012	58,069,987	$ 18,947,344	$ 995,494	$ (25,406)	$ 191,765	$ 1,161,853	$ 648,284	$ (14,157,143)	$ 6,600,338
Warrants exercise	3,159,902	857,490	-	-	-	-	-	-	857,490
Options exercise	1,900,000	719,933	(329,933)	-	-	(329,933)	-	-	390,000
Private placement	3,802,068	1,330,724	-	-	-	-	-	-	1,330,724
Share subscription advances	-	-	-	-	-	-	(614,534)	-	(614,534)
Agent's warrants (Note 11)	-	(3,274)	-	-	3,274	3,274	-	-	-
Share issuance costs	-	(145,006)	-	-	-	-	-	-	(145,006)
Acquisition of mineral properties	6,000,000	2,685,000	-	-	-	-	-	-	2,685,000
Share-based payments	-	-	488,809	-	-	488,809	-	-	488,809
Options expired	-	-	(106,416)	-	-	(106,416)	-	106,416	-
Foreign currency translation differences	-	-	-	(10,914)	-	(10,914)	-	-	(10,914)
Loss for the period	-	-	-	-	-	-	-	(1,497,284)	(1,497,284)
Balance as at November 30, 2012	72,931,957	$ 24,392,211	$ 1,047,954	$ (36,320)	$ 195,039	$ 1,206,673	$ 33,750	$ (15,548,011)	$ 10,084,623

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

1. NATURE AND CONTINUANCE OF OPERATIONS, AND GOING CONCERN

Victory Resources Corporation, ("Victory" or "the Company") is a publicly traded junior mineral exploration company engaged in the exploration of its British Columbia and Sinaloa, Mexico mineral properties. The Company is principally engaged in acquisition, exploration and evaluation of resource properties, and has no significant revenues. The common shares of the Company trade on the TSX Venture Exchange ("TSX-V") under the symbol "VR".

The Company was incorporated in British Columbia on February 8, 1984. The Company's head, registered and records office address is C206 – 9801 King George Highway, Surrey, BC, V3T 5H5.

In fiscal 2011 the Company incorporated two wholly-owned subsidiaries, Victory Resources Corporation U.S.A., incorporated under the laws of Arizona, U.S.A. in August 2010 and VicRes Mining Mexico S.A. de C.V., incorporated under the laws of Sonora, Mexico in April 2010.

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at November 30, 2012 the Company has a deficit of $15,548,011 and has incurred losses since inception. The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof.

The Company has financed its operations primarily through the issuance of common shares, loans proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

Basis of consolidation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation (cont'd...)

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

The financial statements include the financial statements of Victory Resources Corporation and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Victory Resources Corporation, U.S.A.	Arizona, U.S.A.	100%	Mineral exploration
VicRes Mining Mexico S.A. de C.V.	Sonora, Mexico	100%	Mineral exploration

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the parent company's functional currency. The functional currency for Victory Resources Corporation, U.S.A. is in US dollars and the functional currency for VicRes Mining Mexico S.A. de C.V. is in Mexican Pesos.

Use of estimates and judgments

The preparation of the consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Estimated useful lives of property, plant and equipment

The estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position will impact the amount and timing of the related depreciation included in profit or loss.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments (cont'd…)

Carrying value and recoverability of exploration and evaluation assets

The carrying value and recoverability of exploration and evaluation assets which are included in the consolidated statements of financial position are based on management best estimate.

Share-based payments

The fair value of stock options issued with Canadian dollar exercise prices are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated interim financial statements are, but are not limited to, the following:

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Determination of functional currency

In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates" management determined that the functional currency of the Company is Canadian dollars and the functional currency of its US subsidiary is the US dollar and the functional currency of its Mexican subsidiary is the Mexican Peso.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term interest bearing variable rate investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation

The presentation currency of the Company is the Canadian dollar.

The functional currency of each of the parent company and its subsidiaries is measured using the currency of the primary economic environment in which that entity operates.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the Statement of Comprehensive Income (loss) in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the Statement of Comprehensive Income (loss) to the extent that gains and losses are arising on those non-monetary items are also recognized in other comprehensive income (loss).

Subsidiary

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's exchange difference on translating foreign operations on the Statement of Comprehensive Income (loss) and are reported as a separate component of shareholders' equity titled "Foreign currency translation". These differences are recognized in the profit or loss in the period in which the operation is disposed of.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd...)

Financial assets (cont'd…)

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred while transaction costs associated with all other financial assets are included in initial carrying amount of the assets.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Transaction costs associated with fair value through profit or loss financial liabilities are expensed as incurred while transaction costs associated with all other financial liabilities are included in initial carrying amount of the liabilities.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method. These financial liabilities are initially recognized at fair value less directly attributable transaction costs.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Exploration equipment	20%
Furniture and fixtures	20%
Vehicles	30%

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment (cont'd...)

Equipment that is withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property, plant and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Exploration and evaluation assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditures

Once the legal right to explore a property has been acquired, all costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractor and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the farmee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets (cont'd...)

Exploration and evaluation expenditures (cont'd…)

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Reclamation deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 statement of comprehensive loss/income for the period. 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 cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss/income.

Provision for environmental rehabilitation

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average number of shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income (Loss) over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income (Loss) over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received in the Statement of Comprehensive Income (Loss), unless they are related to the issuance of shares. Amount related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amounts recorded in reserve for unexercised share options are transferred to deficit upon their expiry.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned the residual value after the main component of the equity financing (common shares) is valued. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date of the agreement to issue shares as determined by the Board of Directors.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company. The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the consolidated interim financial statements.

IFRS 9 - Financial Instruments - is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 – Joint Arrangements requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas joint operations, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interest in Other Entities establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 27 – Separate Financial Statement addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012.

(Expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

	November 30, 2012	February 29, 2012
Cash on deposit	$ 68,492	$ 478,886
Liquid short term deposit	3,050	3,050
	$ 71,542	$ 481,936

5. RECEIVABLES

The Company's receivables arise from two main sources: Harmonized Sales Tax ("HST") receivable due from Canadian government taxation authorities and receivable due from a Company with common directors for the use of office resources from Victory. These are broken down as follows:

	November 30, 2012	February 29, 2012
HST receivable	$ 24,344	$ 22,556
Due from Sierra Iron Ore (formerly Naina Capital) (i)	161,865	44,682
	$ 186,209	$ 67,238

(i) Company with a common director.

6. PREPAID EXPENSES, EXPLORATION ADVANCES AND DEPOSITS

	November 30, 2012	February 29, 2012
Prepaid expenses and deposits	$ 6,597	$ 21,462

The Company advances exploration deposits against future work in the course of exploring its Canadian and Mexican properties.

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Furniture and fixtures	Computer and office equipment	Exploration equipment	Vehicles	Total
Cost					
Balance, February 29, 2012	$ 58,731	$ 53,165	$ 45,063	$ 113,250	$ 270,209
Additions	2,636	-	-	2,513	5,149
Foreign exchange adjustment	(83)	-	-	-	(83)
Balance, November 30, 2012	61,284	53,165	45,063	115,763	275,275
Accumulated depreciation					
Balance, February 29, 2012	42,854	43,586	13,557	36,051	136,048
Depreciation for the period	2,477	2,156	4,726	17,653	27,012
Foreign exchange adjustment	(25)	-	-	-	(25)
Balance, November 30, 2012	$ 45,306	$ 45,742	$ 18,283	$ 53,704	$ 163,035
Carrying amounts					
As at February 29, 2012	$ 15,877	$ 9,579	$ 31,506	$ 77,199	$ 134,161
As at November 30, 2012	$ 15,978	$ 7,423	$ 26,780	$ 62,059	$ 112,240

8. EXPLORATION AND EVALUATION ASSETS

	Toni Property	Reforma Project	El Boleo Property
Balance, March 1, 2011	$ 1,273,223	$ 1,066,704	$ 2,339,927
Additions:			
Acquisition costs	-	2,385,954	2,385,954
Geological and other consulting	34,000	160,009	194,009
Fieldwork, equipment rental and other	1,605	957,943	959,548
Analysis and report preparation	3,603	76,898	80,501
Travel	2,463	1,489	3,952
Drilling	-	9,322	9,322
Project management	30,000	102,368	132,368
Less: BC mineral exploration tax credit received	(8,969)	-	(8,969)
Total additions	62,702	3,693,983	3,756,685
Foreign exchange adjustment	-	(2,937)	(2,937)
Balance, February 29, 2012	$ 1,335,925	$ 4,757,750	$ 6,093,675

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

	Toni Property	Reforma Project	El Boleo Property	Total
Balance, February 29, 2012	$ 1,335,925	$ 4,757,750	$ -	$6,093,675
Additions:				
Acquisition costs	-	2,747,284	10,000	2,757,284
Geological and other consulting	38,000	117,774	-	155,774
Fieldwork, equipment rental and other	5,430	874,276	-	879,706
Analysis and report preparation	4,500	24,165	9,814	38,479
Travel	4,604	2,153	-	6,757
Drilling	-	18,642	-	18,642
Project management	32,485	183,734	-	216,219
BC mineral exploration tax credit received	(25,360)	-	-	(25,360)
Foreign exchange adjustment	-	4,042	-	4,042
Balance, November 30, 2012	$ 1,395,584	$ 8,729,820	$ 19,814	$10,145,218

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all of its properties are properly registered and in good standing.

Toni Property, Nicola Division, British Columbia

At November 30, 2012 the Company owns a 100% interest in 59 mineral tenures totaling 22,141 Ha, known as the "Toni Property", subject to a 2% net smelter royalty on certain portions thereof.

a) During the year ended February 28, 2006, the Company entered into a Property Option and Joint Operation Agreement to earn an initial 50% interest in a mineral property located in the Nicola Mining Division, British Columbia with an option to acquire up to a 70% interest (amended to 100% during the year ended February 28, 2007).

b) During the year ended February 28, 2007, the Company exercised the option and earned a 100% interest in the mineral property free and clear of all charges, encumbrances and claims. As consideration the Company paid $30,000, issued 300,000 common shares and incurred at least $250,000 in cumulative exploration expenditures during the years ended February 28, 2006 and 2007. The agreement is subject to a 2% net smelter return royalty.

c) During the year ended February 29, 2008, the Company acquired a 100% interest in four mineral properties contiguous to the Toni project (formerly Au Wen) for cash consideration of $6,038.

d) During the year ended February 28, 2009, the Company acquired an additional seven mineral claims in the Nicola Mining Division adjacent to its existing holdings for total consideration of $20,000 and an additional 56 mineral claims at a cost of $11,564 through staking.

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Toni Property, Nicola Division, British Columbia (cont'd…)

e) During the year ended February 28, 2010, the Company amalgamated 15 of the Toni properties and forfeited 23 Toni property leases.

f) During the year ended February 28, 2011, the Company paid $21,704 in order to extend 50 mineral tenures into the years 2011, 2012, 2013 and 2014. The Company chose to forfeit 8 tenures in August 2010.

Reforma Project

On March 4, 2010 the Company executed a formal agreement (the "Reforma Agreement") whereby it has been granted an option to acquire a 70% undivided interest in the Reforma Mine property, Sinaloa, Mexico. Approval of the Reforma agreement was received from the TSX Venture Exchange on May 20, 2010.

In order to earn its 70% interest, the Company is required to pay to the owners US$300,000, issue a total of 14,000,000 common shares and conduct work programs aggregating US$2,500,000. The shares issued to the owners in the second and third tranches (i.e. 12,000,000 shares) will be pooled voluntarily. 1,500,000 shares will be released 12 months after TSX approval and 1,500,000 will be released every six months thereafter. Upon the completion of the earn in by the Company, the parties have agreed to form a joint venture ("the JV") for the purpose of further development and exploration of the property with the owners to retain a carried interest for the first US$15,000,000 of JV expenditures. Thereafter, the parties will fund their further participation in the JV in accordance with their 30/70 respective interest and will be subject to standard penalties.

In order to meet the terms of its Option agreement and earn its 70% interest in the Reforma Property, the Company must make cash and share payments and complete work programs as detailed below:

Cash payments	Shares to be issued	Work Program commitment
US$50,000 due June 10, 2010 (paid)	2,000,000 shares by June 10, 2010 (issued)	US$500,000 by May 20, 2011 (spent)
US$50,000 due November 20, 2010 (paid)	6,000,000 shares by May 20, 2011 (issued)	US$1,000,000 by May 20, 2012 (spent)
US$100,000 due May 20, 2011 (paid)	6,000,000 shares by May 20, 2012 (issued)	US$1,000,000 by May 20, 2013
US$100,000 due May 20, 2012 (paid)		

El Boleo Project

On June 18, 2012 the Company executed an agreement (the "El Boleo Agreement") with Minera Copper Canyon S.A. de C.V. ("Minera"), to acquire an undivided 80% interest in a mineral property known as El Boleo. The El Boleo Agreement was still subject to regulatory approval as at November 30, 2012.

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Reforma Project (cont'd…)

In order to meet the terms of its Options agreement and earn its 80% undivided interest in the El Boleo Property, the Company must make cash and share payments and complete work program as detailed below:

Cash payments	Shares to be issued	Work Program commitment
US$10,000 (paid)		
US$50,000 due upon regulatory approval	2,000,000 shares upon regulatory approval	
US$50,000 due 6 months after regulatory approval	3,000,000 shares by 6 months after regulatory approval	US$500,000 by 12 months after regulatory approval
US$50,000 due 12 months after regulatory approval	3,000,000 shares by 12 months after regulatory approval	US$500,000 by 24 months after regulatory approval
US$50,000 due 24 months after regulatory approval	7,000,000 shares by 24 months after regulatory approval	US$1,000,000 by 36 months after regulatory approval

Upon the completion of the earn in by the Company, the parties have agreed to form a joint venture ("the JV") for the purpose of the further development and exploration on the property.

9. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Payables and accrued liabilities for the Company are broken down as follows:

	November 30, 2012	February 29, 2012
Trade payables	$ 144,093	$ 49,217
Accrued liabilities	48,000	58,000
Total	$ 192,093	$ 107,217

All payables and accrued liabilities for the Company fall due within the next 12 months.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

Management compensation

Key management personnel compensation during the nine months ended November 30, 2012 and 2011 are as follows:

	November 30, 2012	November 30, 2011
Salaries and directors fees	$ 58,913	$ 37,500
Share-based payments (i)	19,555	130,497
Project management fees	45,000	30,000
Exploration expenses	9,000	14,000
Management fees	45,000	45,000
	$ 177,468	$ 256,997

(i) Share-based payments are the fair value of options granted to key management personnel.

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The amounts due to the related parties are as follows:

	November 30, 2012	February 29, 2012
Due to directors and officers	$ 225,090	$ 70,917
Due to CBR Capital (i)	-	20,000
Due to KIM-KC Management Corp (i)	20,000	-
	$ 245,090	$ 90,917

(i) Company controlled by a common director

11. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at November 30, 2012, the authorized share capital of the Company was 100,000,000 common shares without par value.

b) Issued share capital:

During the period ended November 30, 2012, the Company:

i) Issued 6,000,000 shares, valued at $2,685,000, to the owners of the Reforma property as per agreement. (Note 8).

11. CAPITAL STOCK AND RESERVES (cont'd...)

b) Issued share capital: (cont'd...)

ii) Issued 1,900,000 shares for options exercised between $0.25 and $0.20 per option for proceeds of $390,000. Fair value of $329,933 was allocated from reserves to share capital.

iii) Issued 3,159,902 shares for warrants exercised between $0.10 and $0.40 per warrant for proceeds of $857,490.

iv) Issued 3,802,068 units pursuant to a private placement for aggregate proceeds of $1,330,724 at a price of $0.35 per unit. Each unit consists of one common share and one half of one share purchase warrant. A full warrant entitles the holder to acquire one common share at a price of $0.50 for 24 months from closing. The Company allocated the entire proceeds of the private placement to common shares and none to warrants. The Company paid $145,006 cash share issuance costs and issued 11,429 agents' warrants valued at $3,274 as share issuance costs. The agents' warrants were valued using Black-Scholes valuation model. Assumptions of 1.37% risk-free interest rate, two years expected life, 137% annualized volatility, 0% dividend and forfeiture rates.

During the period ended November 30, 2011, the Company:

i) Issued 2,135,000 shares for warrants exercised at $0.10 per warrant for proceeds of $126,500.

ii) Issued 1,265,000 common shares valued at $2,280,000 to the owners of the Reforma Property as per agreement (Note 8).

c) Escrow:

At November 30, 2012, there are 200,000 (February 29, 2012 - 200,000) common shares held in escrow. The release of these shares is subject to the approval of the TSX-V.

d) Stock options:

The Company grants options under the terms of its rolling stock option plan to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding shares of the Company. The exercise price of each option equals the market price of the Company's stock, less allowable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

During the period ended November 30, 2012, the Company granted 1,641,560 (2012 – 1,102,627) stock options to officers, directors and consultants of the Company. These options may be exercised at a price of $0.45 and expire in 2 years.

(Expressed in Canadian Dollars)

11. CAPITAL STOCK AND RESERVES (cont'd...)

d) Stock options: (cont'd...)

A summary of stock options is presented as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding and exercisable, February 29, 2012	4,565,439	$	0.27
Granted	1,641,560		0.42
Cancelled	(450,000)		0.29
Exercised	(1,900,000)		0.21
Outstanding, November 30, 2012	3,856,999	$	0.36
Exercisable, November 30, 2012	3,856,999	$	0.36

At November 30, 2012, the following stock options were outstanding:

Expiry Date	Number of Options		Exercise Price
January 14, 2015	884,812	$	0.20
May 17, 2015	578,000		0.25
February 29, 2016	502,627		0.45
February 28, 2014	1,891,560		0.45
	3,856,999	$	0.36
Weighted average contractual remaining life (years)	1.89		

The Company recognizes share-based payment expense for all stock options granted at fair value. The fair value of the options vested in the nine months ended November 30, 2012 is $488,809 (2012 – $393,905).

The following assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	November 30, 2012	November 30, 2011
Risk-free interest rate	1.13%	2.37 %
Expected life of options	2.09 years	3.99 years
Annualized volatility	134.90%	131.89 %
Dividends	-	-
Forfeiture rate	-	-
Weighted average fair value of options granted during the year	$0.31	$ 0.36

(Expressed in Canadian Dollars)

11. CAPITAL STOCK AND RESERVES (cont'd...)

e) Warrants:

A summary of warrants is presented as follows:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, February 29, 2012	15,145,053	$	0.18
Expired	(4,870,000)		0.17
Exercised	(3,159,902)		0.27
Granted	1,912,481		0.50
Outstanding, November 30, 2012	9,027,632	$	0.29

At November 30, 2012, the following warrants were outstanding:

Expiry Date	Number of Warrants Outstanding		Exercise Price
February 1, 2013	2,022,500		0.20
December 17, 2012 (1)	3,175,000		0.10
December 4, 2013	1,917,651		0.50
April 26, 2014	1,901,052		0.50
April 26, 2014	11,429		0.35
	9,027,632	$	0.29

(1) 3,175,000 warrants exercised subsequent to the period end.

12. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of mineral properties. Geographical information is as follows:

		November 30, 2012		February 29, 2012
Equipment				
Canada	$	99,472	$	122,062
United States		12,768		12,099
		112,240		134,161
Mineral properties				
Canada		1,395,584		1,335,925
Mexico		8,749,634		4,757,750
	$	10,145,218	$	6,093,675

12. SEGMENT INFORMATION (cont'd...)

	November 30, 2012	November 30, 2011
Net Loss for the nine months ended		
Canada	$ 1,300,242	$ 918,186
Mexico	6,975	10,932
United States	190,067	187,141
	$ 1,497,284	$ 1,116,259

13. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Company's primary financial instruments consist of cash and cash equivalents (classified as level 1 Fair Value Through Profit or Loss), and accounts payable and accrued liabilities and due to related parties (classified as Other Financial Liabilities).

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature. The Company does not currently hold any financial instruments that would be included in the classification of available for sale.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at November 30, 2012, the Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars and Mexican Pesos. The Company is exposed to currency risk arising from fluctuation in foreign exchange rates due to the acquisition of the Reforma Project. Many of the costs of the Reforma Project are in Mexican Pesos and US Dollars. Accordingly, changes in the Mexican Pesos or US Dollars denominated value of the Canadian dollar will impact the Canadian dollar cost of meeting any future obligations under that project. At November 30, 2012, the Company had $56,564 US Dollars (translated using 0.9921 exchange rate), and ($126,746) Mexican Pesos (translated using 0.0765 exchange rate) in cash and cash equivalents. The Company does not believe its overall exposure to currency risk for its obligations denominated in Mexican Pesos or US Dollars is significant.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, term deposit and receivables are exposed to credit risk. The Company reduces its credit risk on cash and term deposits by placing these instruments with institutions of high credit worthiness. Management believes that the credit risk concentration with respect to receivables is not significant as the receivables mainly consist of harmonized sales tax receivable and receivable due from a Company related to Victory.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At November 30, 2012, the Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liability. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity through equity financing and the exercise of warrants and options.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended November 30, 2012.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statement of cash flows for the period ended November 30, 2012.

a) Included in accounts payable and due to related parties is $75,547 (November 30, 2011 - $40,000) of mineral property costs.

b) Allocated exploration advances of $Nil (November 30, 2011 - $418,267) to mineral property costs.

c) Included in the mineral properties is the fair value of $2,685,000 (November 30, 2011 - $2,280,000) for 6,000,000 (2011 – 6,000,000) shares issued to the owners of the Reforma property as per agreement.

15. COMMITMENTS

At November 30, 2012, the Company has the following significant commitments:

Management Contracts

On January 1, 2011 the Company entered into a 12 month management contract with the President of the Company for $5,000 per month for management fees and $5,000 per month for project management fees. This contract automatically renewed for an additional one year term on January 1, 2012 as per the signed agreement.

16. SUBEQUENT EVENTS

Subsequent to November 30, 2012, the Company:

a) Issued 3,175,000 shares from warrants exercised at $0.10 per share; and

b) Completed a non-brokered private placement of 75,000 flow-through units at $0.45 per share ($33,750 total proceeds received in advance as at November 30, 2012). Each flow-through unit consists of one half of one share purchase warrant. A full warrant entitles the holder to acquire one common share at a price of $0.55 for 12 months from closing.