VICTORY RESOURCES CORPORATION

(AN EXPLORATION STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Victory Resources Corporation

We have audited the accompanying consolidated financial statements of Victory Resources Corporation, which comprise the consolidated balance sheets as at February 28, 2011 and 2010, and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Victory Resources Corporation as at February 28, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company has an accumulated deficit of $13,022,005, may incur further losses, and is dependent upon its ability to raise financing to fund operations going forward. These conditions, as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO Canada LLP"

Chartered Accountants
June 23, 2011

VICTORY RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT FEBRUARY 28

		2011		2010
ASSETS				
Current				
Cash	$	**492,043**	$	97,310
Term deposit		**3,000**		3,000
Amounts receivable		**22,833**		15,439
Prepaid expenses, exploration advances and deposits (Note 5)		**30,799**		13,259
		548,675		129,008
Equipment (Note 6)		**164,537**		10,544
Exploration advances (Note 5)		**413,914**		74,515
Mineral properties (Notes 4 and 7)		**2,737,927**		1,140,603
	$	**3,865,053**	$	1,354,670
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	**157,413**	$	104,222
Amounts due to related parties (Note 7)		**31,260**		92,032
		188,673		196,254
Future income tax liability (Note 10)		**398,000**		-
		586,673		196,254
Shareholders' equity				
Capital stock (Note 8)		**15,370,459**		12,233,529
Contributed surplus (Note 8)		**929,926**		772,769
Share subscriptions received in advance		**-**		15,000
Deficit		**(13,022,005)**		(11,862,882)
		3,278,380		1,158,416
	$	**3,865,053**	$	1,354,670

Nature of operations and ability to continue as a going concern (Note 1)
Commitments (Notes 4 and 8)
Subsequent events (Notes 4 and 12)

"Wally Boguski"
Wally Boguski, Director

"Paul Lee"
Paul Lee, Director

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

VICTORY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEARS ENDED FEBRUARY 28

		2011		2010
Administrative Expenses				
Amortization	$	31,469	$	3,201
Management and director fees (Note 7)		82,000		35,000
Wages and benefits (Note 7)		211,870		-
Office, rent and miscellaneous		193,918		90,076
Professional fees		305,945		176,500
Investor relations		32,387		-
Stock-based compensation (Note 8)		145,702		498,338
Transfer agent and filing fees		51,450		20,007
Travel and entertainment expenses		99,460		53,021
Loss before other income (expenses)		(1,154,201)		(876,143)
Other Income and (Expenses)				
Foreign exchange loss		(7,186)		-
Income tax recovery		-		14,903
Interest income		640		-
Loss on settlement debt		-		(15,123)
Miscellaneous revenue		1,624		-
		4,922		(220)
Net loss and comprehensive loss for the year		(1,159,123)		(876,363)
Deficit, beginning of year		(11,862,882)		(10,986,519)
Deficit, end of year	$	(13,022,005)	$	(11,862,882)
Basic and diluted loss per common share	$	(0.03)	$	(0.05)
Weighted average number of common shares outstanding		38,543,513		16,263,651

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

VICTORY RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**$ (1,159,123)**	$ (876,363)
Items not affecting cash:		
Amortization	**31,469**	3,201
Income tax recovery	**-**	(14,903)
Loss on debt settlement	**-**	15,123
Stock-based compensation	**145,702**	498,338
	(981,952)	(374,604)
Changes in non-cash working capital items:		
Increase in amounts receivable	**(7,394)**	(4,361)
Increase in prepaid expenses, exploration advances and deposits	**(17,540)**	(12,188)
Increase in accounts payable and accrued liabilities	**54,052**	90,474
Net cash flows used in operating activities	**(952,834)**	(300,679)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property costs	**(127,740)**	(70,940)
Acquisition of equipment	**(228,915)**	(2,113)
Proceeds from sale of equipment	**67,000**	-
Mineral property exploration advances	**(339,399)**	(74,515)
Deferred exploration costs	**(684,537)**	(199,006)
Net cash flows used in investing activities	**(1,313,591)**	(346,574)
CASH FLOWS FROM FINANCING ACTIVITIES		
Obligation to issue common shares	**-**	15,000
Issuance of common shares for cash	**2,721,930**	687,236
Amounts due to related parties	**(60,772)**	39,536
Net cash flows provided by financing activities	**2,661,158**	741,772
Change in cash position during the year	**394,733**	94,519
Cash, beginning of year	**97,310**	2,791
Cash, end of year	**492,043**	97,310

Supplemental disclosure of cash flow information (Note 9)

Cash paid for:		
Interest	**$ -**	$ -
Income taxes	**$ -**	$ -

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A 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 in the development stage in respect of its exploration activities, 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. On February 28, 2005, the Company changed its name to Victory Resources Corporation.

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.

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.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realized values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

At February 28, 2011, the Company had not yet achieved profitable operations, has accumulated losses of $13,022,005 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt on the Company's ability to continue as a going concern.

At February 28, 2011, the Company will require additional financing in order to conduct its planned work programs on its mineral properties, meet exploration commitments, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

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. SIGNIFICANT IN ACCOUNTING POLICIES

These financial statements include, on a consolidated basis, the accounts of Victory Resources Corporation and its wholly-owned subsidiaries: Victory Resources Corporation U.S.A. and VicRes Mining Mexico S.A. de C.V. All inter-company transactions and balances have been eliminated on consolidation. Victory Resources Corporation and its subsidiaries are collectively referred to in these financial statements as "Victory" or "the Company".

2. SIGNIFICANT IN ACCOUNTING POLICIES (cont'd…)

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may vary from those reported.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded at the following annual rates and methods:

Computer equipment	30% declining balance
Furniture, fixtures and equipment	20% declining balance
Vehicles	30% declining balance
Exploration equipment	20% declining balance

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and expenses for the periods reported. Significant areas requiring the use of management estimates include the estimation of stock-based compensation, the determination of impairment of assets, useful lives for amortization and valuation allowances for future tax assets. Actual results could differ from those estimates.

Impairment of long-lived assets

The Company reviews its long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

Asset retirement obligation

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. As at February 28, 2011 and February 28, 2010, the Company had no asset retirement obligations.

2. SIGNIFICANT IN ACCOUNTING POLICIES (cont'd…)

Mineral properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Mining tax credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

For the years ended February 28, 2011 and February 28, 2010, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totaling 18,675,214 (2010 – 17,511,271) were not included in the computation of loss per share because their effect was anti-dilutive.

Stock-based compensation

The Company recognizes the fair value of share purchase options granted to employees, directors and officers and it is expensed over their vesting period with a corresponding increase to contributed surplus. Compensation for non-employees is re-measured at each balance sheet date until the earlier of the vesting date or the date of completion of the service. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

2. SIGNIFICANT **IN ACCOUNTING POLICIES** (cont'd…)

Flow-through common shares

Under the terms of flow-through share agreements, the related exploration expenditures are renounced to the subscriber of such shares. Upon renunciation to the shareholders, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction and is more-likely-than-not able to utilize these tax losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax balances of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is substantively enacted. A valuation allowance is recorded against a future income tax asset if it is more likely than not that the asset will not be realized.

Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Equity instruments that do not have a quoted market price in an active market are carried at cost. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash and term deposit as held-for-trading; accounts payable and accrued liabilities and due to related parties as other financial liabilities.

CICA Handbook Section 3862 "Financial Instruments – Disclosure" requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. CICA Handbook Section 3862 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

2. SIGNIFICANT IN ACCOUNTING POLICIES (cont'd…)

Financial Instruments (cont'd…)

- Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

- Level 3 – Applies to assets or liabilities for which there are unobservable market data.

The Company's financial instruments consist principally of cash and term deposits, amounts due related parties and accounts payable and accrued liabilities. Management believes that the recorded values of all cash and term deposit, amounts due to related parties and accounts payables and accrued liabilities approximate their current fair values because of their nature, credit worthiness, and respective maturity dates or durations.

As at February 28, 2011, the Company's only financial instrument which is measured at fair value on a recurring basis is cash and term deposits which have been classified as a "Level 1" financial instrument. Accounts payable and accrued liabilities, and amounts due to related parties have been classified as "Level 2" financial instruments.

Comprehensive income (loss)

The Company follows the accounting guidelines of CICA Handbook Section 1530 "Comprehensive Income". Section 1530 establishes standards for reporting and presenting of comprehensive income or loss, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings. At February 28, 2011 and 2010, the Company does not have any comprehensive income adjustments arising from its financial instruments.

Changes in accounting policy

New accounting standards were required to be adopted by the Company during the year ended February 28, 2011 as below:

Foreign currency translation

The Company follows the temporal method of foreign currency translation. Monetary assets and liabilities are translated at the foreign exchange rate observed at the balance sheet date. Non-monetary items are translated at the historical exchange rates, unless such items are carried at market in which case they are translated at the exchange rate in effect at the balance sheet date. Revenues and expense items are translated at the exchange rate in effect on the dates they occurred.

Recent Canadian accounting developments

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1582, "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The adoption of this standard is not expected to have a material effect on the Company's financial statements.

2. SIGNIFICANT IN ACCOUNTING POLICIES (cont'd…)

Recent Canadian accounting developments (cont'd…)

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests (cont'd...)

In January 2009, the CICA issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The adoption of this standard is not expected to have a material effect on the Company's financial statements.

International financial reporting standards

The Canadian Accounting Standards Board ("AcSB") has published a strategic plan that calls for the convergence of Canadian GAAP (Generally Accepted Accounting Principles) with IFRS over an expected five year transitional period commencing 2006. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. As the Company has a non-calendar fiscal year it will be required to produce the first IFRS financial statements in the first quarter of its 2013 fiscal year (the quarter ending May 31, 2012). The transition date of March 1, 2012 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011.

The Company is studying the impact of applying the following IFRS standards: IFRS 1 First-time Adoption of IFRS, IFRS 2 Share-based Payment, IFRS 7 Financial Instruments: Disclosures, IAS 8 Accounting Policies, and Changes in Accounting Estimates and Errors, IAS 16 Property, Plant and Equipment, and IAS 24 Related Party Disclosures.

Management is currently developing its plans for the transition to IFRS. Key elements include analyzing IFRS accounting policy alternatives, business activities impacted by accounting processes and information system changes. The Company's IFRS implementation project will be completed by a combination of in-house resources and external consultants.

3. 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.

The Company's overall strategy remains unchanged from 2010.

4. MINERAL PROPERTIES

February 28, 2011	Toni Property	Reforma Project	Total
Acquisition costs:			
Balance, beginning of the year	$ 202,244	$ 26,798	$ 229,042
Additions	21,704	739,036	760,740
Balance, end of the year	223,948	765,834	989,782
Deferred exploration costs:			
Balance, beginning of the year	780,778	130,783	911,561
Additions:			
Geological and other consulting	99,250	216,094	315,344
Field work, equipment rental and other	16,332	155,852	172,184
Analysis and report preparation	13,828	33,614	47,442
Travel	8,509	76,460	84,969
Drilling	106,522	-	106,522
Project Management	35,500	86,067	121,567
Less: BC mineral exploration tax credits received	(11,444)	-	(11,444)
Balance, end of the year	1,049,275	698,870	1,748,145
Total mineral property costs	$ 1,273,223	$ 1,464,704	$ 2,737,927

February 28, 2010	Toni Property	Reforma Project	Total
Acquisition costs:			
Balance, beginning of the year	$ 158,102	$ -	$ 158,102
Additions	44,142	26,798	70,940
Balance, end of the year	202,244	26,798	229,042
Deferred exploration costs:			
Balance, beginning of the year	703,655	-	703,655
Additions:			
Geological and other consulting	(500)	63,313	62,813
Field work, equipment rental and other	2,096	3,190	5,286
Analysis and report preparation	32,166	18,145	50,311
Travel	3,361	25,101	28,462
Project Management	40,000	21,034	61,034
Balance, end of the year	780,778	130,783	911,561
Total mineral property costs	$ 983,022	$ 157,581	$ 1,140,603

Toni Property, Nicola Division, British Columbia

At February 28, 2011 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.

4. MINERAL PROPERTIES (cont'd…)

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

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.

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. All but 8 of the 59 mineral tenures are in good standing to March 20, 2012 or later.

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 the further development and exploration of the property with the Owner 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:

4. MINERAL PROPERTIES (cont'd…)

Reforma Project (cont'd…)

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 (subsequently issued)	US$1,000,000 by May 20, 2012
US$100,000 due May 20, 2011 (paid)	6,000,000 shares by May 20, 2012	US$1,000,000 by May 20, 2013
US$ 100,000 due May 20, 2012		

5. PREPAID EXPENSES, EXPLORATION ADVANCES AND DEPOSITS

	2011 $	2010 $
Prepaid expenses and deposits	30,799	13,259
Exploration advances	413,914	74,515
	444,713	87,774

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

6. EQUIPMENT

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 53,165	$ 39,478	$ 13,687	$ 40,887	$ 36,244	$ 4,643
Furniture, fixtures and equipment	58,720	38,922	19,798	41,969	36,068	5,901
Vehicles	107,847	16,177	91,670	-	-	-
Exploration equipment-Reforma Project	45,063	5,681	39,382	-	-	-
	$ 264,795	$ 100,258	$ 164,537	$ 82,856	$ 72,312	$ 10,544

6. EQUIPMENT (cont'd…)

During the year ended February 28, 2011, the Company sold a backhoe loader purchased during the year and miscellaneous equipment for a total of $67,000 to a related party resulting in a net gain to the Company of $11,455. The gain of $11,455 has been charged to contributed surplus.

7. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2011, the Company entered into transactions with related parties as follows:

a) Paid or accrued $60,000 (2010 - $35,000) in management fees to an officer of the company for his services.

b) Paid or accrued $60,000 (2010 - $37,709) in project management fees to a company controlled by a director of the Company. This amount is included in deferred exploration expenditure, a component of mineral properties.

c) Paid or accrued $109,650 (2010 - $44,455) in exploration expenses to a private company controlled by a director of the Company. This amount is included in deferred exploration expenditures, a component of mineral properties.

d) Paid or accrued $9,000 (2010 - $Nil) in geological and other consulting fees to a director of the Company, a component of professional fees.

e) Paid or accrued $22,000 (2010 - $Nil) in directors' fees.

f) Paid or accrued $42,480 (2010 - $Nil) in wages to a director of the Company.

g) Paid or accrued $7,700 (2010 - $Nil) in promotion expenses to a private company controlled by a director of the Company. These amounts are included in office, rent and miscellaneous.

h) Received $97,500 in cash from a company with directors in common. Included in this amount is $67,000 in proceeds from the sale of equipment, $23,000 in reimbursement for shipping and handling fees, and $7,500 for miscellaneous billings.

These charges are measured by the exchange amount which is the amount agreed upon by the transacting parties.

The amounts due from/to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	2011	2010
Due to director(s) or companies controlled by Director(s)	**$ 31,260**	$ 92,032

The amounts due to related parties are due to directors and their private companies, and/or a public company controlled by Directors of Victory. They are unsecured, non-interest bearing and have no specific terms of repayment. Included in these amounts are unpaid director fees, management fees and mineral property costs.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized: 100,000,000 common shares without par value

Issued:

	Number of Shares	Capital Stock	Contributed Surplus
Balance, February 28, 2009	11,943,287	11,349,866	274,431
Issued shares for debt (a)	3,924,127	211,329	-
Private placement (b)	13,480,714	690,250	-
Warrants exercised (c)	650,000	65,000	-
Share issue costs (d)	-	(68,013)	-
Income tax recovery (b)	-	(14,903)	-
Stock-based compensation	-	-	498,338
Balance, February 28, 2010	29,998,128	$ 12,233,529	$ 772,769
Private placement (a)	9,825,000	2,456,250	-
Share issue costs (b)	-	(146,976)	-
Warrants exercised (c)	4,276,557	427,656	-
Acquisition of Mineral properties (d)	2,000,000	400,000	
Gain on disposal of equipment (Notes 6 and 7)	-	-	11,455
Stock-based compensation	-	-	145,702
Balance, February 28, 2011	46,099,685	$ 15,370,459	$ 929,926

During the year ended February 28, 2011 the Company:

a) Issued 9,825,000 units pursuant to a private placement for aggregate proceeds of $2,456,250 at a price of $0.25 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 $0.40 for 24 months from closing. The Company allocated the entire proceeds of the private placement to common shares and none to warrants.

b) Incurred share issuance costs in the amount of $146,975 which includes cash commissions of $132,500 and legal, closing, listing and filing fees of $14,475.

c) Issued 4,276,557 shares for warrants exercised at a value of $0.10 per warrant, for proceeds of $427,656.

d) Issued 2,000,000 common shares to the owners of the Reforma Property as per agreement. (Refer to Note 4).

During the year ended February 28, 2010 the Company:

a) Issued 3,924,127 shares at a value of $211,329 for debt valued at $196,206. A loss on settlement of debt was recorded for $15,123. The shares for debt were issued in two separate transactions.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

a) (cont'd…)

i) The first transaction was for 3,546,050 common shares at a deemed value of $0.05 per unit, each unit consists of one common share and one-half of one warrant, each full warrant entitles the holder to purchase one common share at a price of $0.10 per share for three years. Included in this debt settlement, 800,000 shares were issued to a related party.

ii) The second transaction was for 378,077 common shares at a deemed price of $0.05 per unit, each unit consists of one common share and one warrant, each warrant entitles the holder to purchase one common share at a price of $0.10 per share for three years.

b) Issued 13,480,714 units for aggregate proceeds of $690,250. The Company issued 810,714 flow-through and 12,670,000 non-flow-through units. The flow-through units, issued at a deemed value of $0.07 per unit, consist of one flow-through common share and one-half of one non-flow-through warrant; each full warrant entitles the holder to purchase one common share at a price of $0.10 per share for one year. The non-flow-through units, issued at a deemed value of $0.05 per unit, consist of one non-flow-through common and one whole non-flow-through warrant; each whole warrant entitles the holder to purchase one common share at a price of $0.10 per share for three years. The Company allocated the entire proceeds of the private placements to common shares and none to warrants.

The Company renounced exploration expenditures of $56,750 which resulted in future tax recovery of $14,903 and a charge against share capital.

c) Issued 650,000 shares for warrants exercised at par value of $0.10 per warrant, for proceeds of $65,000.

d) Share issuance costs in the amount of $68,013 includes cash commissions of $58,900 and legal, closing, listing and filing fees of $9,113.

Escrow

At February 28, 2011, there are 200,000 (2010 - 200,000) common shares held in escrow. The release of these shares is subject to the approval of the TSX-V.

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 year ended February 28, 2011, the company granted 778,000 (2010 – 2,934,812) stock options exercisable for 5 years at a price of $0.25 to officers, directors, employees and consultants of the Company. Included in this option award, were 200,000 investor relations stock options exercisable for 2 years at a price of $0.25 as per contract.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

A summary of the stock option activities is presented as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, February 28, 2009	956,579	$ 0.21
Expired	(956,579)	0.21
Granted	2,934,812	0.20
Outstanding and exercisable, February 28, 2010	2,934,812	$ 0.20
Cancelled [1]	(250,000)	0.20
Granted	778,000	0.25
Outstanding, February 28, 2011	3,462,812	$ 0.21
Outstanding, and exercisable February 28, 2011 [2]	3,412,812	$ 0.21

[1] 250,000 options granted to a former Director were cancelled as per the terms of the Company's stock option plan.
[2] Of the 200,000 options granted for investor relations in 2011, 50,000 are unvested per regulatory rules.

The following options to acquire common shares of the Company are outstanding at February 28, 2011:

Number of Options	Exercise Price	Expiry Date
200,000	$0.25	May 17, 2012
2,684,812	$0.20	January 14, 2015
578,000	$0.25	May 17, 2015
3,462,812		

Stock options outstanding at February 28, 2011 have a weighted average outstanding life of 3.78 years (2010 – 4.88 years).

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2011	2010
Risk-free interest rate	2.46	2.57
Expected life of options	4.07 years	5 years
Annualized volatility	152 %	170%
Dividend rate	0.00 %	0.00%

The weighted average fair value of the options granted during the year was $0.19 per share (2010 - $0.17 per share).

The company recorded stock-based compensation expense of $145,702 (2010 - $498,338) for the issuance of the stock options.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Warrants

A summary of the warrant activities is presented as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, February 28, 2009	972,750	$ 0.27
Issued under settlement of debt	2,151,102	0.10
Issued under private placement	13,075,357	0.10
Expired	(972,750)	0.27
Exercised	(650,000)	0.10
Outstanding, February 28, 2010	14,576,459	$ 0.10
Issued under private placement	4,912,500	0.40
Exercised	(4,276,557)	0.10
Outstanding, February 28, 2011	15,212,402	$ 0.20

The following warrants to acquire common shares of the Company are outstanding at February 28, 2011:

Number of Warrants	Exercise Price	Expiry Date
2,890,000	$ 0.40	May 17, 2012
122,125	$ 0.10	July 20, 2012
2,022,500	$ 0.40	October 28, 2012
257,777	$ 0.10	November 20, 2012
9,920,000	$ 0.10	December 17, 2012
15,212,402		

9. 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 year ended February 28, 2011.

a) Included in accounts payable $8,040 (2010 - $8,901) of mineral property costs.

b) Recorded, using the Black-Scholes option pricing model, stock-based compensation with a fair value of $145,702 (2010 - $498,338) for stock options granted during the year.

c) Issued 2,000,000 (2010 – Nil) common shares to the owners of the Reforma Property as per agreement. The shares issued had a fair value of $400,000 (2010 - $Nil) at the date of issue. This amount was included in mineral property acquisition costs during the year.

d) The Company settled debts totaling $Nil (2010 - $196,206) included in accounts payable and due to related party, by issuing Nil (2010 - 3,924,127) common shares and Nil (2010 – 2,151,102) non-transferable share purchase warrants.

10. INCOME TAXES

Reconciliation between the Company's statutory and effective tax rates is as follows:

	2011	2010
Statutory tax rate	28.17%	29.75%
Expected income tax recovery	$ (326,000)	$ (265,003)
Increase (decrease) in income tax recovery resulting from:		
Permanent differences	43,000	155,100
Foreign loss taxed at other than Canadian Statutory rate	(10,000)	-
Effect of reduction in statutory tax rate	27,000	17,000
Expiry of loss carryforward	83,000	-
Share issue costs	(37,000)	(17,000)
Change in the valuation allowance for the future income tax assets	220,000	95,000
Income tax recovery	$ -	$ (14,903)

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. Significant components of the Company's future tax assets and liabilities, after applying enacted corporation income tax rates, are as follows:

	2011	2010
Future income tax assets:		
Non-capital losses carried forward	$ 648,000	$ 461,000
Capital losses carried forward	752,000	752,000
Undeducted financing costs	43,000	18,000
Mineral properties and deferred exploration	(74,000)	324,000
Capital assets	41,000	33,000
	1,410,000	1,588,000
Valuation allowance for future income tax assets	(1,808,000)	(1,588,000)
Net future income tax assets	$ (398,000)	$ -

Management considers it more-likely-than-not that the amounts will not be utilized and accordingly, a full valuation allowance has been applied.

10. **INCOME TAXES** (cont'd…)

The Company has accumulated non-capital losses totalling $2,532,000 which can be utilized to offset taxable income of future years. These losses expire as follows:

2015	$	216,000
2026		292,000
2027		218,000
2028		226,000
2029		181,000
2030		375,000
2031		1,024,000
	$	2,532,000

The Company has accumulated Canadian exploration and development expenses totalling $2,738,000 these are available to offset taxable income of future years at various rates per year.

The Company has accumulated capital losses of $6,020,000, these are available to offset future years' taxable capital gains.

11. FINANCIAL INSTRUMENTS

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 February 28, 2011, 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 United States Dollars (USD). Accordingly, changes in the Peso or USD denominated value of the Canadian dollar will impact the Canadian dollar cost of meeting any future obligations under that project.

At February 28, 2011, the Company does not believe its overall exposure to currency risk for its obligations denominated in Mexican Pesos or US Dollars is significant.

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.

The Company is exposed to risk arising from a concentration of credit, as an exploration advance to a single party comprises 84% of total loans and receivables at February 28, 2011. Default by that party would constitute a material loss.

11. FINANCIAL INSTRUMENTS (cont'd…)

Credit Risk (cont'd…)

Based on management's assessment and on-going monitoring of the receivable amount, management does not believe the Company is exposed to material credit default risk from its exploration advance. Management expects that the exploration advance will be realized in full by the application of the advance against exploration and prospecting services to be delivered to the Company in the next fiscal year.

As the Company's loans and receivables are neither secured nor hedged, the Company's exposure to loss due to credit risk equals the face value of the balance of loans and receivables.

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 February 28, 2011, 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 obtained through the sale of common shares and the exercise of warrants and options.

12. SUBSEQUENT EVENT

Subsequent to the year ended February 28, 2011:

a) The Company granted 1,102,627 stock options to directors, officers and consultants. These options may be exercised at a price of $0.45 for up to 3 to 5 years.

b) The Company issued 1,080,000 shares for warrants exercised at $0.10 per warrant for proceeds of $108,000.

13. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.