VICTORY RESOURCES CORPORATION
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
For The Period Ended May 31, 2011

The following management discussion and analysis, prepared as of August 12, 2011 should be read together with the unaudited consolidated financial statements and related notes attached thereto (the "financial statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard 34 ("IAS34") – Interim Financial Reporting. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the year ended February 28, 2011, and the Management Discussion and Analysis for the year. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Victory Resources Corporation (the "Company") is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Victory Resources Corporation "the Company" is a publicly traded junior mineral exploration company whose shares are traded on the TSX Venture Exchange ("TSX-V"). The Company is engaged in the exploration of its mineral properties, located in British Columbia, Canada and its new Reforma Property located in Sinaloa, Mexico. The Company is in the development stage in respect of its exploration activities, and has no significant revenues.

Victory Resources Corporation and its wholly owned subsidiaries, Victory Resources Corporation U.S.A and VicRes Mining Mexico S.A. de C.V., are referred to herein collectively as "the Company", "our", or "we".

The Company was incorporated in British Columbia on February 8, 1984. On February 28, 2005, the Company changed its name to Victory Resources Corporation.

At January 24, 2011, the Company has 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 the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the development of those reserves, and upon achieving future profitable production.

MINERAL EXPLORATION PROPERTIES

The Reforma Mine 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 (US$50,000 21 days after TSX approval, US$50,000 due November 2010, and US$100,000 due on May 20, 2011 and 2012 (paid $100,000 FY-2011)), issue a total of 14,000,000 common shares:2,000,000 (issued) 21 days after TSX approval and 6,000,000 on or before each of 12th (issued) and 24th month thereafter, and conduct work programs aggregating US$2,500,000 (US$500,000 by May 20, 2011 incurred), an additional US$1,000,000 by May 20, 2012, and an additional US$1,000,000 by May 20, 2013). The shares issued to the Owners in the second and third tranches (12,000,000 shares) will be pooled voluntarily with 1,500,000 shares released 12 months after TSX approval and 1,500,000 released every six months thereafter.

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

About the property

The Reforma property formerly owned and operated by Industrias Peñoles S.A.B. de C.V. ("Peñoles"), of Mexico is a 6,987 hectare land package, located within the eastern portion of Sinaloa State, Mexico, in the Choix Mining District. This land package includes the formerly producing Reforma Mine as well as prospective mineralized zones hosted by the Reforma property. The Company has now received an independent National Instrument 43-101 ("NI 43-101") technical report by Ruben Verzosa on the Reforma property which addresses and clarifies certain issues relating to the Reforma Property.

In its press release of March 4, 2010 the Company referenced reserve estimates for the Reforma property made by Peñoles. It was also stated that past exploration conducted by Peñoles resulted in the delineation of the "El Chapote" mineral zone which contained a reported mineral reserve. The Company's press release of April 8, 2010 again made reference to a mineral reserve at the Reforma Mine; this was repeated in the Company's press release of June 15, 2010. A mineral resource was also identified as existing in the Reforma South mineral zone, and historical reserves identified at El Chapote were also re-classified as mineral resources. The Company's new independent report did not verify any of the historically reported resource/reserve estimates under the guidelines established by NI 43-101. As the previously disclosed estimates are not supported by the Report, the Company retracts those estimates; however, the Report will be updated as and when required by NI 43-101.

Peñoles, the former owner and operator of the Reforma property, reported that during the 1968 to 1980 production period a total of 1,800,000 tonnes of ore was mined and processed at an average grade of 91.62 g/t Ag, 1.90% Pb, 7.44% Zn, and 0.63% Cu. . Please note that the tonnage reported is of a historic nature and cannot be relied upon until confirmed through a proper work program by the company. No other production is recorded after that date as the mine was shut down due to labor unrest coupled with deteriorating metal prices.

The Reforma property area borders two significant mineral deposits (the Bahuerachi and the Santo Tomas). The Bahuerachi property **(**which was formally owned by Tyler Resources) was purchased in 2008 by Jinchuan Group China for approximately USD$216 million. The Santo Tomas is a porphyry mineral deposit south of the Reforma property through which Bateman Engineering Prefeasibility (2003 report) reported to contain a mineral resource of some 600 million tonnes grading 0.363 % Cu (plus gold and silver credits) in the north zone and some 350 million tonnes grading 0.309 % Cu (plus gold and silver credits) in the south zone.

The Company does not have any current mineral resource or mineral reserve estimates for the Reforma property and all previously disclosed resource or reserve estimates for the Reforma property, whether contained in disseminated materials, information accessible on the internet or in information which has been otherwise made publicly available, are historical in nature and should not be relied upon until verified and supported by an independent National Instrument 43-101 compliant technical report.

The Company arranged for the preparation of an updated geological 43-101 report by an independent third party, Mr. Ruben Verzosa, P. Eng. (a Qualified Person ("QP") as defined by National Instrument Policy 43-101). Mr. Verzosa has over 40 years of industry experience and mobilized to the Reforma property on July 28, 2010. The new report has been received and may currently be viewed on www.sedar.com

Q1-2012 Exploration

In Q2-2011 the company mobilized a geological crew on its optioned Reforma Mine property located in Sinaloa, Mexico. The property zone review of the Reforma mine site, Reforma South, and El Chapote will result in recommendations for future start up production. The company is also pleased to announce it is in negotiations to purchase a mill to facilitate its future production requirement. Currently the company is negotiating on four processing mills ranging in size from 250 tonnes per day to 1,000 tonnes per day.

Currently a work program is underway on the Reforma property with a crew assessing the historic underground workings of the Reforma Mine and the Reforma South mineral zone for a detailed comprehensive sampling program of the structures and mineralized areas. The workings of the El Chapote mineralized zone are being remapped preparatory to the establishment of a base map to determine an area for Electronic Magnetic (EM), Induced Polarization (IP), and geological surveys.

The Company commissioned an independent National Instrument 43-101 ("NI 43-101") technical report from Mr. Ruben Verzosa on the Reforma property which addresses and clarifies certain issues relating to the Reforma Property. The Company's new independent report did not verify any of the historically reported resource/reserve estimates under the guidelines established by NI 43-101. As the previously disclosed estimates are not supported by the Report, the Company retracts those estimates; however, the Report will be updated as and when required by NI 43-101.

Roads are being upgraded, as well, equipment is being purchased in preparation for further developing the known mineral zones identified by Peñoles, the former Owner and Operator.

The Company has learned that a major highway is currently being built to connect Chihuahua City to the port of Topolombapo. This major road will pass right through the borders of the Reforma property and will greatly enhance the accessibility to the whole area. This road is expected to be completed by late 2011.

Management strategy is to continue the development of mineral zones in preparation for production on the Reforma property and to continue to develop/explore other targets on the property. The geological setting found at the Reforma area is analogous in Porphyry, Skarn, Breccia and Manto-type mineralization similar to those found at the Cananea district located in Sonora Mexico, the location of one of largest open pit copper mines in the world. The Company will proceed to implement a work program as recommended by its geological team.

Geophysical crews have been retained for an Electro Magnetic (EM) Geophysical survey and drill holes have been spotted for a planned drill program expected to commence in Geo-Chemical survey completed with 1^{st} stage drilling to test extensions pending.

Ruben Verzosa, P. Eng., a Qualified Person (QP) as defined by National Instrument Policy 43-101, is responsible for the technical information included herein.

Toni Property, Nicola Division, British Columbia

As part of the Company's reactivation process to advance from the NEX board to the TSX-V in 2005, the Company entered into a Property Option and Joint Operation Agreement to earn an initial 50% interest in the Toni 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).

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 $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.

During the year ended February 29, 2008, the Company acquired a 100% owned mineral property contiguous to the Toni project (formerly Au/Wen) totalling 3,870Ha for cash consideration of $6,038.

During the year ended February 28, 2009 the Company acquired an additional 665 Ha of mineral claims in the Nicola Mining Division adjacent to our exiting holdings for total consideration of $20,000; the Company also acquired, through staking, an additional 28,481Ha at a cost of $11,564.

During the year February 28, 2010 the Company amalgamated fifteen Toni Property mineral claims and abandoned twenty-three claims. The Company currently holds in good standing a total of 25,423 Hectares (Ha) over 65 claims which make up the Toni Property.

The Spring/Summer 2010 exploration program on the Wen prospect of the Toni property included diamond drilling to determine the extent of the Adit Mineral Zone which was discovered in a 2008 Victory Resources Corporation diamond drill program. The Adit Mineral Zone is a gold-copper bearing quartz vein which is up to seven metres wide and was delineated by four short diamond drill holes for 20 metres along strike and 50 metres to depth. The mineral zone is open on strike and to depth. In addition, the FY-2011 drill program goal was to confirm and expand the results of a 1996 diamond drill program completed by George Resource Company in which drill hole W96-1 intersected a 6.55 metre gold-copper bearing quartz vein mineralized zone located 50 metres southeast and paralleling the Adit Mineral Zone. The mineralized intersection reportedly assayed 16.578 gm/t Au, 12.901 gm/t Ag and 0.75% Cu, with a higher grade section averaging 28.426 gm/t Au, 18.185 gm/t Ag and 0.98% Cu over 3.81 metres.

The Company completed the diamond drilling of six holes totaling 713 metres on the Wen prospect of the Toni property and has received the assay results from the sampled sections of the holes completed as detailed below.

The 2010 diamond drill program was to test the extension of the W96-1 mineralized quartz vein and to determine the extent of the Adit Zone. Drill holes 10-1, 10-2, 10-3, and 10-5 were spotted to test the localized extension of the Adit Zone within a close proximity to the 2008 mineralized intersections. Drill hole 10-4 was spotted to test the W96-1 mineralized quartz vein higher in the section and the Adit Zone 30 metres east of Adit#1. Drill hole 10-6 was spotted to test the Adit Zone 80 metres east of Adit#1. The more significant intersections and assays are as follows.

Drill Hole	**Azimuth**	**Dip**	**Intercept**	**From**	**To**	**Au**	**Cu**
Number			**m**	**m**	**m**	**ppb**	**%**
10-2	**035**	**-70**	0.80	83.40	84.10	19.30	0.04
10-3	**062**	**-55**	0.91	99.21	100.13	48.50	0.31
10-4	**020**	**-45**	3.66	70.10	73.76	108.23	0.94
		Including	1.22	70.10	71.32	240.50	1.88
10-5		**-90**	5.50	18.60	24.10	159.90	2.62
			0.60	24.10	24.70	Assays pending	
			3.00	24.70	27.70	178.50	1.36
		Including	3.10	18.60	21.60	62.00	3.17
		Including	0.60	22.90	23.50	313.70	5.98
10-6	**0**	**-55**	1.80	22.90	24.70	412.20	0.51

Drill hole 10-1 and 10-4 did not provide any indication of the W96-1 mineralized zone which probably does form a shoot with an unknown rake within the vein as Verley (1997) concluded.

Based on the results of the summer 2010 drill program, the localized Adit#1 zone is indicated to extend for a strike length of 110 metres with variable widths and copper values. The most significant widths and values are to the west as indicated in drill hole 10-5 with an intercept of a 9.1 metre (29.85 foot) mineralized zone (estimated true width of 8.2 feet) containing mineral values averaging over 2% Cu, and 160 ppb Au, with decreasing widths and values to the east as indicated in drill hole 10-6. However, the easterly trend of the Adit#1 zone is to a northerly trending 150 metre wide Mobile Metal Ion (MMI) soil anomaly which may indicate a major mineral controlling structure that could have provided the mineralization to the localized structure of the Adit#1 mineral zone.
The geological structure and results show promise on the Wen Prospect however further development work and drilling would be required. The company will seek a Joint Venture partner to further develop the Wen Property and at this time the company will focus on the development of its Reforma property in Mexico.

Mr. Laurence Sookochoff, P.Eng., a Qualified Person (QP) as defined by National Instrument Policy 43-101, is responsible for the technical information included herein.

FINANCING

In Q1-2011 the Company received TSX Venture Exchange approval and closed the first tranche of a working capital private placement to qualified investors for gross proceeds of $1,445,000. The Private Placement resulted in the issuance of 5,780,000 units 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 additional share at a price of $0.40 for 24-months expiring on May 17, 2012.

In Q3- 2011 the Company issued 4,045,000 units pursuant to a private placement for aggregate proceeds of $1,011,250 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 additional share at a price of $0.40 for 24-months expiring on October 28, 2012.

The total of both tranches of the non-brokered private placement resulted in the issuance of 9,825,000 units at a price of $0.25 per unit; each unit consists of one common share and one-half of one share purchase warrant. All securities issued are subject to a hold period of four months from closing.

The Company paid finders' fees of $132,500 in cash and related listing and filing fees of $14,475 for both tranches of private placements.

During the year ended February 28, 2011, the Company issued 4,276,557 shares pursuant to the exercise of warrants for cash consideration of $427,656.

In Q1-2012, the Company has issued 1,080,000 shares pursuant to the exercise of warrants for cash consideration of $108,000.

Financing shortfall/surplus

At May 31, 2011, the Company had working deficit of $140,125.

INDUSTRY AND ECONOMIC FACTORS AFFECTING COMPANY PERFORMANCE

Victory operates in the Canadian junior resource industry. Within that industry, Victory competes with thousands of companies, many of them significantly larger, for corporate resources such as properties, geological, exploration and drilling services; and equity capital. Of particular impact to Victory is that it has to compete in this industry with other firms that have greater resources and more advanced properties.

The availability of equity financing for early-stage exploration programs such as ours is a major factor that will significantly determine company performance in FY-2012 and beyond.

The Company's access to financing is not certain and there can be no assurance of continued access to adequate equity funding on acceptable terms. Management believes that we will be able to obtain the capital necessary to continue as a going concern.

Victory's business model – early-stage exploration – is plainly a high risk business model. Victory is exposed to considerable geological risk – the risk that our properties do not host economic mineral reserves – as well as operational risk, and financing risk. This business model requires commensurately high-risk equity capital. Victory is reliant on its ability to raise finances, a continued decrease in the supply of available capital due to systematic factors such as macro-economic slow-down or capital market disruption would materially impair our business model.

In addition to the general financing risks common to all exploration enterprises, the early, unproven stage of our property assets add particular uncertainty as to the likelihood of obtaining future financing on acceptable terms.

LIQUIDITY, CAPITAL RESOURCES AND COMMITMENTS

Liquidity

Junior resource companies often tend towards liquidity shortfalls, as their major assets are, by definition, exploration properties which are long-term and illiquid by nature and are not revenue generating

During the period ended May 31, 2011, the Company financed its operations primarily through the exercise warrants.

The Company continues to seek capital through various means including the issuance of equity and/or debt.

Capital Resources

As our exploration-stage properties are not revenue generating, the Company's sole source of long-term funding has traditionally been the issuance of common shares for cash, primarily through private placements to sophisticated investors.

The Company has traditionally supplemented equity financing from time to time by obtaining loans from related parties. These are used to provide interim, short-term financing to meet day-to-day cash flow needs, on occasion, and are not intended to be a long-term source of capital.

Commitments

At May 31, 2011, the Company has the following significant commitments:

Mineral Property commitments

In order to meet the terms of its Option agreement and earn its 70% interest in the Reforma Property the Company must make the remaining 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
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		

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.

Other

The Company has no capital lease obligations, operating leases or any other long-term debt at May 31, 2011.

RELATED PARTY TRANSACTIONS

During the period ended May 31, 2011, the Company entered into transactions with related parties as follows:

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

The remuneration of directors and other members of key management personnel during the three months ended May 31, 2011 and 2010 are as follows:

Three months ended May 31,	2011	2010
Salaries and directors fees	$ 18,000	$ 4,500
Management fees	15,000	15,000
Stock-based compensation (i)	139,106	70,299
Project management fees	15,000	15,000
Exploration expenses	5,000	34,366
	$ 192,106	$ 139,165

(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 from the related party are as follows:

	May 31, 2011	February 28, 2011	March 1, 2010
Due from (to) director and officer	$ (49,282)	$ 1,126	$ (77,032)
Due from (to) Sierra Iron Ore (formerly Naina Capital)*	(18,480)	(32,386)	(15,000)
Due to a CBR Capital *	(25,000)	-	-
	$ (92,762)	$ (31,260)	$ (92,032)

* Companies controlled by a common director

Results of Operations

During the quarter ended May 31, 2011, the Company had the following significant transactions:

- expended approximately $301,719 in cash on mineral properties.
- paid or accrued $33,000 in management and director fees, refer to related parties section for more information.
- paid or accrued $106,423 in wages and benefits.

- paid or accrued $123,293 in professional fees.
- recorded $393,905 for stock-based compensation for stock options granted during the quarter.

For the period ended May 31, 2011:

The significant increase in net loss Q1-2012 over Q1-2011 is detailed below:

	May 31, 2011	May 31, 2010	Variance
Amortization	$ 10,861	$ 3,585	$ 7,276
Management fees	21,000	19,500	1,500
Wages and benefits	106,423	8,745	97,678
Office, rent and miscellaneous	39,067	60,464	(21,397)
Professional fees	123,293	78,152	45,141
Stock-based compensation	393,905	136,731	257,174
Transfer agent and filing fees	3,683	27,353	(23,670)
Travel and entertainment expenses	25,909	17,733	8,176
Total administrative expenses	**$ 724,141**	**$ 352,263**	**$ 371,878**

- Amortization of equipment increased by $7,276 in Q1-2012 vs Q1-2011 due to increase in capital assets.
- Management fees increased by $1,500 due to an additional director during the quarter.
- Wages and benefits increased by $97,768 due to increase in number of employees.
- Office, rent and miscellaneous expenses decreased by $21,397 due to decrease in advertising and promotion costs.
- Professional fees increased by $45,141 due to the transition to IFRS.
- Stock-based compensation of $393,905 was incurred for 1,102,627 stock options granted in Q1-2012.
- Transfer agent and filing fees decreased by $23,670 due to less activities in financing.
- Travel and entertainment expenses increased by $8,176 due to more travel required in Q1-2012.
- Other variations in expenses in the periods presented reflect the variation inherent in normal course operations. We expect other items to remain at relatively constant levels, as these primarily reflect recurring operational expenses that do not vary significantly within a certain range of corporate and exploration activity.

SUMMARY OF QUARTERLY RESULTS

	(IFRS) Three Months Ended May 31, 2011	(IFRS) Three Months Ended February 28, 2011	(IFRS) Three Months Ended November 30, 2010	(IFRS) Three Months Ended August 31, 2010
Total assets	$ 3,328,665	$ 3,467,053	$ 3,416,313	$ 3,174,226
Working capital (deficiency)	(140,125)	360,002	862,477	894,534
Shareholders' equity	3,061,653	3,278,380	3,269,040	3,108,499
Net loss	724,241	298,214	272,174	230,356
Loss per share	0.02	0.01	0.01	0.00

	(IFRS) Three Months Ended May 31, 2010	(IFRS) Three Months Ended February 28, 2010	(Canadian GAAP) Three Months Ended November 30, 2009	(Canadian GAAP) Three Months Ended August 31, 2009
Total assets	$ 2,781,007	$ 1,354,670	$ 1,078,029	$ 921,027
Working capital (deficiency)	1,199,942	(67,246)	(34,789)	(129,064)
Shareholders' equity	2,641,349	1,158,416	885,685	765,685
Net loss	352,263	702,314	90,403	34,761
Loss per share	0.01	0.04	0.01	0.00

Significant changes in key financial data during fiscal 2011 are due to private placements completed in Q1-2011 and Q3-2011 and the Reforma property acquisition and associated costs as well as exploration expenditures capitalized during the year ended February, 2011.

FINANCIAL AND OTHER INSTRUMENTS

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 financial instruments consist principally of cash and cash equivalents, amounts due related parties and accounts payable and accrued liabilities. Management believes that the recorded values of all cash and cash equivalents, 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 May 31, 2011, the Company's only financial instrument which is measured at fair value on a recurring basis is cash and cash equivalents 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.

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 May 31, 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 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 May 31, 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. 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 IVA tax receivable due from Canadian and Mexican governments.

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 May 31, 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.

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 2011.

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.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

Accounts receivable and other miscellaneous receivables are classified as loans and receivables. They are measured at fair value and changes in fair value are recognized in comprehensive loss. At February 28, 2011, Goods and services tax and harmonized sales tax recoverable and amounts due from related parties are classified as loans and receivables.

Financial liabilities

Accounts payable and accrued liabilities, and amounts due to related parties are classified as financial liabilities and are measured at face value. Management has determined that the face value of financial liabilities approximates fair value due to the expected short-term maturity of the debts.

The Company's financial liabilities primarily constitute trade payables owing to both arms' length and related parties, and loans payable. These are unsecured and, excepting normal trade credit terms, are due on demand.

The Company believes the fair value of its financial liabilities approximate their carrying values primarily due to their short-term nature. There are no quoted market prices from active markets for any of the financial liabilities held by the Company and thus fair values were assessed using valuation techniques consistent with generally accepted accounting principles. As the Company does not generate revenue, it intends to reduce its financial liabilities by re-financing through additional share issuances.

CURRENT SHARE DATA

As at August 12, 2011 the Company has 53,179,685 common shares issued and outstanding of which 200,000 are held in escrow.

The following options to acquire common shares of the Company are outstanding at August 12, 2011:

Number of Options	Exercise Price	Expiry Date
200,000	$0.25	May 12, 2012
2,684,812	$0.20	January 14, 2015
578,000	$0.25	May 17, 2015
550,000	$0.45	February 28, 2016
552,627	$0.45	February 29, 2014
4,565,439		

The following warrants to acquire common shares of the Company are outstanding at August 12, 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
177,777	$ 0.10	November 20, 2012
8,920,000	$ 0.10	December 17, 2012
14,132,402		

LIST OF DIRECTORS AND OFFICERS AT ___________

Wally Boguski, President, CEO, director
Laurence Sookochoff, CFO and Director
Paul Lee, Director
Alphonse J. Ruggiero, Director

ADVISORY COMMITTEE

The Company appointed of Mr. R.W. (Bob) Cunningham to its Board of Advisors in Q1-2011. Mr. Cunningham is Chairman of the Board, President/Chief Executive Officer of Century Properties Inc., a Multi-million dollar property development and investment company based in Winnipeg, Manitoba since 1972. He is also President and Chief Executive Officer of Cunningham Business Interiors Ltd., an office furniture and interior design company which is among the largest and most successful in the Prairie Provinces since its formation in August, 1964. The Company is currently interviewing potential advisory board candidates from Mexico who have a strong knowledge base in regard to our Mexican operation in order to advance the business in a timely manner.

CHANGE IN ACOUNTING POLICIES

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting.* The condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the parent company, unless otherwise noted.

These are the Company's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ended February 28, 2012. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at March 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 17.

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

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

i) The recoverability of receivables which are included in the condensed consolidated interim statements of financial position;

ii) The carrying value and the recoverability of mineral properties, which are included in the condensed consolidated interim statements of financial position;

iii) The inputs used in accounting for stock-based compensation expense included in profit and loss

iv) The estimated lives of fixed assets and the related amortization.

Going concern of operations

These condensed consolidated 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 May 31, 2011 the Company has had significant losses. In addition, the Company has not generated significant revenues from operations. 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. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

New standards not yet adopted

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively. There will be no significant impact on the Company upon implementation of the issued standard.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual audited consolidated financial statements and this accompanying annual MD&A (together the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements herein that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as "expects", "intends", "may", "could", "should", "anticipates", "likely", "believes" and words of similar import also identify forward-looking statements.

Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, assumptions regarding the Company's ability to raise additional debt and/or equity financing to fund operations and working capital requirements and assumptions regarding the Company's mineral properties.

Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the geology of mineral properties, exploration results, commodity market conditions, the Company's ability to generate sufficient cash flows from operations and financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company.

Additional information on factors that may affect the business and financial results of the Company can be found in filings of the Company with the British Columbia Securities Commissions on www.sedar.com

PRESIDENTS MESSAGE

The Management team would like to thank the shareholders for their support in the company's quest for discovering a major deposit. Management's goal is to pursue different opportunities in order to enhance shareholder value. Victory Resources Corp. executed an agreement (the "Reforma Agreement") whereby it has been granted an option to acquire a 70% undivided interest in the Reforma Mine property, Sinaloa, Mexico.

The Reforma property formally owned and operated by Peñoles, of Mexico is a 6,987 hectare land package, located within a regional northwest trending graben structure which extends through eastern portion of Sinaloa State, Mexico in the Choix Mining District.

Management strategy and primary focus will be to continue the development of mineral zones in on the Reforma property and to continue to develop/explore other targets on the property. The companies' geological team is very positive regarding the Reforma property indicating that it has huge blue sky potential.

Victory Resources Corp. has completed a 55.4-kilometre geochemical survey on the Reforma mine vicinity including the Reforma South vicinity 1.5 km south of the Reforma mine and the Chapote copper/gold zone vicinity two km to the west of the Reforma mine. A total of 554 samples have been submitted to ALS Chemex De Mexico SA's laboratory in Hermosillo. The company is currently awaiting results.
In conjunction with the geochemical survey, four diamond drill holes have been completed south of the Reforma mine mineralized zone. The goal of this initial drilling was to investigate at depth the southerly extension of the Reforma mineralized zone and its possible extension toward the Reforma South zone. Drill core samples have been submitted and assay results are expected shortly.

Formerly operated by Peñoles, historical documents show that between the years 1968 to 1980, the Reforma mine processed 1.8 million tonnes of complex ore grading an average of 91.62 grams per tonne silver, 1.90 per cent lead, 7.44 per cent zinc and 0.63 per cent copper. This recorded production at current metal prices would be worth over US$514,000,000.

Equipment is on site for the purpose of pumping the Reforma main adit as well as the Reforma South underground workings, preparatory to underground rehabilitation and diamond drilling. The purpose of this drill program is to investigate geological extensions of known mineralized zones as well as to investigate the grade of pillars left from previous mining. A Surface Drill program has also commenced to with the objective to further test Reforma Extension zones.