VICTORY RESOURCES CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	November 30, 2014	February 28, 2014
ASSETS		
Current assets		
Cash	$ 20,162	$ 28,053
Receivables	11,970	10,887
Prepaid expenses and deposits	6,519	16,835
Total current assets	38,651	55,775
Non-current assets		
Reclamation deposit	3,050	3,050
Equipment (Note 3)	49,933	77,488
Exploration and evaluation assets (Note 4)	1,589,986	1,508,139
Total non-current assets	1,642,969	1,588,677
Total assets	$ 1,681,620	$ 1,644,452
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	$ 478,204	$ 1,035,260
Due to related parties (Note 6)	822,862	751,713
Total liabilities	1,301,066	1,786,973
Shareholders' equity (deficit)		
Capital stock (Note 7)	25,804,451	24,959,928
Reserves (Note 7)	970,307	1,018,405
Share subscriptions received in advance (Note 7)	130,475	-
Deficit	(26,524,679)	(26,120,854)
Total shareholders' equity (deficit)	380,554	(142,521)
Total liabilities and shareholders' equity (deficit)	$ 1,681,620	$ 1,644,452

Nature and continuance of operations and going concern (Note 1)
Segmented information (Note 8)
Commitments (Note 11)
Subsequent events (Note 12)

Approved and authorized on behalf of the Board of Directors on January 29, 2015.

"Wally Boguski" Director
Wally Boguski

"Roger Frost" Director
Roger Frost

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

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

	Three Months Ended November 30, 2014	Three Months Ended November 30, 2013	Nine Months Ended November 30, 2014	Nine Months Ended November 30, 2013
EXPENSES				
Consulting	$ -	$ (2,264)	$ 60,331	$ 57,942
Depreciation	3,422	6,763	11,773	20,274
Gain on disposition of equipment (Note 3)	-	-	(13,189)	-
Investor relations	4,791	5,228	17,715	12,813
Loss on foreign exchange	(1,372)	1,145	-	5,910
Management and directors fees (Note 6)	26,060	18,000	73,560	54,000
Office and administration	36,078	25,513	73,715	74,445
Other income	249	(205)	(2,000)	(205)
Professional fees, including interest (Note 6)	44,208	46,635	181,018	132,660
Property investigations costs	-	13,888	-	13,888
Transfer agent and filing fees	6,399	1,822	19,422	20,870
Travel	7,039	15,478	7,794	41,343
Wages and salaries (Note 6)	17,037	31,697	19,172	250,256
Loss for the period	$ (143,911)	$ (163,760)	$ (449,311)	$ (684,196)
Other comprehensive income (loss)				
Foreign exchange adjustments on translating foreign subsidiaries	2,224	231,586	2,612	347,679
Comprehensive income (loss) for the period	$ (141,687)	$ 67,886	$ (446,699)	$ (336,517)
Basic and diluted loss per common share	$ (0.00)	$ 0.00	$ (0.01)	$ (0.00)
Weighted average number of common shares outstanding	80,583,734	77,906,957	78,753,006	77,877,502

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

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

	Nine Months Ended November 30, 2014	Nine Months Ended November 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (449,311)	$ (684,196)
Items not affecting cash:		
Depreciation	11,773	20,274
Gain on sale of equipment	(13,189)	-
Foreign exchange	(2,949)	-
Non-cash working capital item changes:		
Receivables	(1,083)	170,719
Prepaid expenses and deposits	10,316	14,846
Due to related party	(331,996)	-
Accounts payable and accrued liabilities	693,012	292,882
Net cash used in operating activities	(83,427)	(185,475)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(3,692)	-
Proceeds on disposal of equipment	33,000	-
Exploration and evaluation expenditures	(81,847)	(50,253)
Net cash used in investing activities	(52,539)	(50,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from share subscriptions	130,475	-
Share issuance cost	(2,400)	-
Cash from warrants exercised	-	20,000
Amounts due to related parties	-	180,777
Net cash provided by financing activities	128,075	200,777
Effect of foreign exchange rate on cash	-	(78,570)
Change in cash for the period	(7,891)	(113,521)
Cash, beginning of the period	28,053	142,681
Cash, end of the period	$ 20,162	$ 29,160
Supplemental cash flow information		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ 4,860

Supplemental disclosure with respect to cash flows (Note 10)

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

VICTORY RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Capital Stock			Reserves					
	Number	Amount	Shares to be issued	Share-based payment	Foreign currency translation	Others	Total Reserves	Deficit	Total equity
Balance as at February 28, 2013	77,706,957	$ 24,919,928	$ -	$ 864,684	$ (18,121)	$ 195,039	$ 1,041,602	$ (15,778,333)	$ 10,183,197
Warrants exercise	200,000	40,000	-	-	-	-	-	-	40,000
Foreign currency translation differences	-	-	-	-	347,679	-	347,679	-	347,679
Loss for period	-	-	-	-	-	-	-	(684,196)	(684,196)
Balance as at November 30, 2013	77,906,957	$ 24,959,928	$ -	$ 864,684	$ 329,558	$ 195,039	$ 1,389,281	$ (16,462,529)	$ 9,886,640
Balance as at February 28, 2014	77,906,957	$ 24,959,928	$ -	$ 501,445	$ 321,921	$ 195,039	$ 1,018,405	$ (26,120,854)	$ (142,521)
Shares for debt	10,586,540	846,923	-	-	-	-	-	-	846,923
Warrants expired	-	-	-	(3,274)	-	-	(3,274)	3,274	-
Options expired	-	-	-	(42,212)	-	-	(42,212)	42,212	-
Escrow shares cancelled	(200,000)	-	-	-	-	-	-	-	-
Share issuance cost	-	(2,400)	-	-	-	-	-	-	(2,400)
Shares to be issued	-	-	130,475	-	-	-	-	-	130,475
Foreign currency translation differences	-	-	-	-	(2,612)	-	(2,612)	-	(2,612)
Loss for period	-	-	-	-	-	-	-	(449,311)	(449,311)
Balance as at November 30, 2014	88,293,497	$ 25,804,451	$ 130,475	$ 455,959	$ 319,309	$ 195,039	$ 970,307	$ (26,524,679)	$ (380,554)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

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

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at November 30, 2014 the Company has a deficit of $25,524,679 and has incurred losses since inception. The Company is in the process of exploring and developing its mineral properties and has not yet determined whether those properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the exploration and development of the properties and upon achieving future profitable production or proceeds from the disposition thereof. These uncertainties raise substantial doubt upon the Company's ability to continue as a going concern.

The Company has financed its operations primarily through the issuance of common shares, loans proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly these condensed consolidated interim 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 condensed consolidated interim financial statements.

2. BASIS OF PRESENTATION, ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

Statement of compliance

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The accounting policies and methods of computation followed in these condensed consolidated interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended February 28, 2014.

Basis of presentation

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of January 29, 2015, the date the Board of Directors approved the statements.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION, ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION (cont'd...)

These condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended February 28, 2014.

These condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Victory Resources Corporation, USA and VicRes Mining Mexico S.A. de C.V. A wholly owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. All intercompany balances and transactions were eliminated upon consolidation.

New accounting standards and recent pronouncements

There are no IFRS interpretations that are effective March 1, 2014 that are expected to have a material impact on the Company.

3. EQUIPMENT

	Furniture and Fixtures and Office Equipment	Computer	Exploration Equipment	Vehicles	Total
Cost					
Balance, February 28, 2013	$ 61,938	$ 53,165	$ 45,063	$ 115,763	$ 275,929
Foreign exchange adjustment	1,706	-	-	-	1,706
Balance, February 28, 2014	63,644	53,165	45,063	115,763	277,635
Additions	3,692	-	-	-	3,692
Disposals	-	-	(45,063)	-	(45,063)
Foreign exchange adjustment	(490)	-	-	-	(490)
Balance, November 30, 2014	$ 66,846	$ 53,165	$ -	$ 115,763	$ 235,774
Accumulated depreciation					
Balance, February 28, 2013	$ 46,373	$ 46,462	$ 19,857	$ 59,588	$ 172,280
Depreciation for the year	3,160	2,011	5,041	16,852	27,064
Foreign exchange adjustment	803	-	-	-	803
Balance, February 28, 2014	50,336	48,473	24,898	76,440	200,147
Depreciation for the period	1,516	1,056	354	8,847	11,773
Disposals	-	-	(25,252)	-	(25,252)
Foreign exchange adjustment	(827)	-	-	-	(827)
Balance, November 30, 2014	$ 51,025	$ 49,529	$ -	$ 85,287	$ 185,841
Carrying amounts					
As at February 28, 2014	$ 13,308	$ 4,692	$ 20,165	$ 39,323	$ 77,488
As at November 30, 2014	$ 15,821	$ 3,636	$ -	$ 30,476	$ 49,933

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Toni Property	Reforma Project	Total
Balance, February 28, 2014	$ 1,508,138	$ 1	$ 1,508,139
Additions:			
Fieldwork, equipment rental and other	12,400	-	12,400
Analysis and report preparation	24,000	-	24,000
Project management	45,000	-	45,000
Recovery	(9,953)	-	(9,953)
Survey	10,400	-	10,400
Balance, November 30, 2014	$ 1,589,985	$ 1	$ 1,589,986

	Toni Property	Reforma Project	El Boleo Property	Total
Balance, February 28, 2013	$ 1,417,475	$ 8,900,486	$ 19,814	$10,337,775
Additions:				
Geological and other consulting	-	498,563	-	498,563
Fieldwork, equipment rental and other	1,466	56,700	-	58,166
Analysis and report preparation	65,000	-	3,313	68,313
Travel	6,698	-	-	6,698
Recovery	(12,501)	-	-	(12,501)
Project management	30,000	60,700	-	90,700
Foreign exchange adjustment	-	427,103	(1,120)	425,983
Impairment	-	(9,943,551)	(22,007)	(9,965,558)
Balance, February 28, 2014	$ 1,508,138	$ 1	$ -	$ 1,508,139

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

Toni Property, Nicola Division, British Columbia

At November 30, 2014 the Company owns a 100% interest in the "Toni Property", subject to a 2% net smelter royalty on certain portions thereof.

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

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)

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

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.

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

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

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

During the year ended February 28, 2014 the Company determined the Reforma Project to be impaired and wrote down the carrying value of the Reforma Project to $1. The Company has earned 70% interest in the Reforma property and is currently in discussions to joint venture or sell the property outright.

El Boleo Property

On June 15, 2012 the Company executed an agreement (the "El Boleo Agreement") with Minera Copper Canyon S.A. de C.V. ("Minera"), to acquire an undivided 80% interest in a mineral property known as El Boleo.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)

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

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

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

During the year ended February 28, 2014 the Company determined the El Boleo Property to be impaired and wrote-off the entire carrying amount of the property to the consolidated statement of comprehensive loss.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	November 30, 2014	February 28, 2014
Trade payables	$ 371,204	$ 965,260
Accrued liabilities	107,000	70,000
Total	$ 478,204	$ 1,035,260

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

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS

Management compensation

Key management personnel compensation during the periods ended November 30, 2014 and 2013 are as follows:

	November 30, 2014	November 30, 2013
Consulting fees	$ 15,000	$ -
Salaries and directors fees	28,560	78,000
Management fees	60,000	45,000
Project management fees (i)	20,000	45,000
Exploration expenses (i)	61,000	42,000
	$ 184,560	$ 210,000

(i) Capitalized in exploration and evaluation assets.

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

The amounts due to the related parties are as follows:

	November 30, 2014	February 28, 2014
Due to directors and officers	$ 278,966	$ 446,732
Due to KIM-KC Management Corp (i)	120,000	100,000
Due to Sierra Iron Ore (formerly Naina Capital) (ii)	20,751	204,981
	$ 419,717	$ 751,713

(i) Company controlled by a common director
(ii) Company with common directors

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital:

As at November 30, 2014, the Company has unlimited authorized share capital.

b) Issued share capital:

During the period ended November 30, 2014, the Company

i) issued 10,586,542 shares to creditors, at a deemed value of $0.08 per share, to settle debts aggregating $846,823.

ii) received and cancelled 200,000 shares (Note 7c).

(Expressed in Canadian Dollars)

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

b) Issued share capital:

During the year ended February 28, 2014, the Company issued 200,000 shares for warrants exercised at $0.20 per warrant for proceeds of $40,000.

c) Escrow:

During the period ended November 30, 2014, 200,000 shares held in escrow were cancelled. At November 30, 2014, there are Nil (February 28, 2014 - 200,000) common shares held in escrow.

d) Stock options:

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

During the periods ended November 30, 2014 and 2013, the Company granted Nil stock options to officers, directors and consultants of the Company.

A summary of stock options is presented as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, February 28, 2014	2,266,999	$ 0.30
Expired	(200,000)	0.45
Outstanding and exercisable, November 30, 2014	2,066,999	$ 0.29

At November 30, 2014, the following stock options were outstanding and exercisable:

Expiry Date	Number of Options	Exercise Price
January 14, 2015*	884,812	$ 0.20
May 17, 2015	578,000	0.25
February 29, 2016	552,627	0.45
February 28, 2017	51,560	0.45
	2,066,999	$ 0.29
Weighted average contractual remaining life (years)	0.57	

*expired subsequent to the period

(Expressed in Canadian Dollars)

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

e) Warrants:

A summary of warrants is presented as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, February 28, 2014	3,830,132	$ 0.40
Expired	(1,912,481)	0.50
Outstanding, November 30, 2014	1,917,651	$ 0.50

At November 30, 2014, the following warrants were outstanding:

	Number of Warrants Outstanding	Exercise Price
December 4, 2014*	1,917,651	$ 0.50

*expired subsequent to the period

8. SEGMENTED INFORMATION

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

	November 30, 2014	February 28, 2014
Equipment		
Canada	$ 36,165	$ 66,598
United States	13,768	10,890
	$ 49,933	$ 77,488
Exploration and evaluation assets		
Canada	$ 1,589,985	$ 1,508,138
Mexico	1	1
	$ 1,589,986	$ 1,508,139

(Expressed in Canadian Dollars)

8. SEGMENTED INFORMATION (cont'd...)

	November 30, 2014	November 30, 2013
Net loss for the period		
Canada	$ 445,425	$ 456,085
Mexico	-	213,188
United States	3,886	14,923
	$ 449,311	$ 684,196

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's primary financial instruments are classified as follows:

Financial instruments	Classifications
Cash	FVTPL
Receivables	LAR
Accounts payable and accrued liabilities	OFL
Due to related parties	OFL

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature except as otherwise noted. The fair value of the Company's cash constitutes a Level 1 fair value measurement. The Company does not currently hold any financial instruments that would be included in the classification of AFS.

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

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. As at November 30, 2014, the Company's receivables consisted of $11,969 in GST receivable from government authorities in Canada. Substantially all cash balances are held at chartered banks in Canada, the United States of America and Mexico.

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

Liquidity *risk*

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at November 30, 2014, the Company had a cash balance of $20,162 and receivables of $11,970 to settle current liabilities of $1,301,066. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As of November 30, 2014, the Company did not hold any investments and has no significant interest rate risk.

b) Foreign currency risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, or financial instruments may fluctuate due to changes in rates. The Company's exposure to foreign currency exchange risk is mitigated by the fact that the Company restricts the amount of Mexican Pesos ("Pesos") kept on hand and sources the majority of its capital projects and expenditures in Pesos. The Company has not entered into any derivative instruments in an effort to mitigate exposure to fluctuations in foreign exchange rates.

At November 30, 2014, the Company had US $984 and an immaterial balance of Mexican Pesos in cash and $7,803,635 Mexican Pesos in accounts payable.

A 10% fluctuation in the USD/CAD exchange would result in an immaterial affect to these consolidated financial statements.

A 10% fluctuation in the MXP/CAD exchange would have resulted in a $65,254 change to the net loss for the year.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

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

Capital management

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

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

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended November 30, 2014.

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.

10. 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 transaction has been excluded from the consolidated statement of cash flows for the periods ended November 30, 2014 and 2013.

a) Included in accounts payable and due to related parties is $504,091 (February 28, 2014 - $861,287) of exploration and evaluation asset costs.

11. COMMITMENTS

At November 30, 2014, the Company has the following significant commitments:

<u>Management Contracts</u>

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, 2014 as per the signed agreement. Effective August 11, 2014 the contract was terminated as the President resigned.

12. SUBSEQUENT EVENT

Subsequent to the period ended November 30, 2014, the Company completed a non-brokered private placement of 2,651,668 units for a gross proceeds of $159,100. Each unit consists of one common share issued at $0.06 per share, and one share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase one common share at a price of $0.15 for 24 months from closing.