NOTICE TO SHAREHOLDERS

VVC EXPLORATION CORPORATION
Condensed Consolidated Financial Statements
For The Nine Months Ended October 31, 2012

Responsibility for Consolidated Financial Statements

The accompanying condensed unaudited interim consolidated financial statements for VVC Exploration Corporation have been prepared by management and were approved by the Audit Committee and the Board of Directors. These unaudited condensed consolidated financial statements have been prepared in accordance with international financial reporting standards and were consistently applied. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

Auditor involvement

The auditors of VVC Exploration Corporation have not performed a review of the condensed unaudited interim consolidated financial statements for the three months and nine months ended October 31, 2012 and October 31, 2011.

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VVC Exploration Corporation

Consolidated Statements of Financial Position

		(Unaudited) October 31, 2012		January 31, 2012
Assets				
Current assets				
Cash and cash equivalents	**$**	**37,825**	$	92,925
Accounts receivable		**27,991**		13,799
		65,816		106,724
Equipment (Note 5)		**3,234**		8,004
Mineral properties (Note 6)		**1,368,749**		943,610
	$	**1,437,799**	$	1,058,338
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 4)	**$**	**109,867**	$	80,358
Due to related party (Notes 7 and 14)		**625,570**		267,735
		735,437		348,093
Shareholders' equity				
Share capital (Note 8(b))		**22,736,642**		22,468,883
Common shares to be issued (Note 8(e))		**77,500**		-
Contributed surplus (Note 8(c) and 8(d) and 9)		**5,659,583**		5,305,431
Deficit		**(27,771,363)**		(27,064,069)
		702,362		710,245
	$	**1,437,799**	$	1,058,338

Going Concern (note 1)

Approved by the Board

Patrick Fornet
Director

James A. Culver
Director

VVC Exploration Corporation

Consolidated Statements of Loss, Comprehensive Loss and Deficit

(Unaudited)

	Three Months Ended October 31, **2012**	Three Months Ended October 31, 2011	Nine Months Ended October 31, **2012**	Nine Months Ended October 31, 2011
Expenses				
Fair value of extended warrants (Note 8(d))	**$ -**	$ -	**$ 176,371**	$ -
Management and consulting fees	**16,500**	63,330	**145,790**	226,752
Professional fees	**37,010**	15,000	**106,085**	54,231
Stock-based compensation (Note 8(c))	**6,075**	89,774	**89,612**	137,375
Interest expense	**21,451**	1,235	**49,061**	1,235
Office and sundry	**7,800**	12,793	**44,272**	50,570
Investor relations	**12,805**	38,602	**44,391**	89,522
Travel and promotion	**9,633**	5,919	**37,548**	25,758
Rent	**1,500**	5,163	**10,228**	25,661
Listing and transfer fees	**6,707**	1,553	**9,109**	5,263
Telephone	**2,733**	1,585	**5,969**	7,846
Bank charges	**2,471**	305	**5,295**	882
Amortization	**313**	926	**939**	2,778
	124,998	236,185	**724,670**	627,873
Other income:				
Gain on sale of investments	**-**	-	**-**	81,456
Loss on disposition of asset	**-**	-	**(3,832)**	-
Foreign exchange gain	**4,457**	-	**21,208**	-
Net loss	**$ (120,541)**	$ (236,185)	**$ (707,294)**	$ (546,417)
Basic and diluted loss per share (Note 10)	**$ -**	$ -	**$ (0.01)**	$ (0.01)

Consolidated Statements of Comprehensive Loss

	Three Months 2012	Three Months 2011	Nine Months 2012	Nine Months 2011
Net loss	**$ (120,541)**	$ (236,185)	**$ (707,294)**	$ (546,417)
Reclassification adjustment for investment sold in the year	**-**	-	**-**	(87,975)
Unrealized loss on short-term investment	**-**	-	**-**	(10,500)
Exchange loss	**-**	(2,851)	**-**	(1,359)
Comprehensive loss for the year	**$ (120,541)**	$ (239,036)	**$ (707,294)**	$ (646,251)

Consolidated Statements of Deficit

	Three Months 2012	Three Months 2011	Nine Months 2012	Nine Months 2011
Deficit, beginning of period	**$(27,650,822)**	$(26,395,563)	**$(27,064,069)**	$(26,085,331)
Net loss for the period	**(120,541)**	(236,185)	**(707,294)**	(546,417)
Deficit, end of period	**$(27,771,363)**	$(26,631,748)	**$(27,771,363)**	$(26,631,748)

VVC Exploration Corporation

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	2012	2011
Share Capital		
Beginning balance	**$ 22,468,883**	$ 21,659,158
Funds from private placements	**387,581**	770,000
Shares issued as share issue costs	**-**	38,500
Share issue costs	**(31,653)**	(47,950)
Fair value of warrants issued	**(88,169)**	(148,170)
Balance October 31,	**22,736,642**	22,271,538
Shares to be Issued		
Deferred share issue costs	**77,500**	-
Balance October 31,	**77,500**	-
Contributed Surplus		
Beginning balance	**5,305,431**	4,972,568
Stock-based compensation	**89,612**	137,375
Fair value of warrants issued on private placement	**88,169**	148,170
Fair value of revalued warrants	**176,371**	-
Balance October 31,	**5,659,583**	5,258,113
Accumulated Other Comprehensive Income (Loss)		
Beginning balance	**-**	138,918
Reclassification adjustment for investment sold in the year	**-**	(87,975)
Unrealized loss on short-term investment	**-**	(10,500)
Exchange loss	**-**	(1,359)
Balance October 31,	**-**	39,084
Deficit		
Beginning balance	**(27,064,069)**	(26,085,331)
Net loss	**(707,294)**	(546,417)
Balance October 31,	**(27,771,363)**	(26,631,748)
Total shareholders' equity	**$ 702,362**	$ 936,987

VVC Exploration Corporation
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended October 31, 2012	2011
Cash flow from operating activities		
Loss for the period	**$ (707,294)**	$ (546,417)
Items not affecting cash:		
Amortization	**939**	2,778
Stock-based compensation	**89,612**	137,375
Gain on sale of short-term investment	**-**	(81,456)
Fair value of extended warrants	**176,371**	-
Loss on disposition of asset	**3,832**	-
	(436,540)	(487,720)
Other uses of cash from operations:		
Accounts receivable	**(14,192)**	(24,170)
Accounts payable and accrued liabilities	**29,508**	(192,851)
	(421,224)	(704,741)
Cash flow from investing activities		
Proceeds from the sale of short-term investments	**-**	95,631
Additions to mineral properties	**(425,139)**	(285,670)
	(425,139)	(190,039)
Cash flow from financing activities		
Common shares issued for cash	**465,081**	770,000
Share issue costs paid in cash	**(31,653)**	(9,450)
Funds advanced from related party	**357,835**	165,235
	791,263	925,785
Effect of translation adjustment on cash	**-**	(1,359)
Change in cash and cash equivalents	**(55,100)**	29,646
Cash and cash equivalents, beginning of period	**92,925**	6,812
Cash and cash equivalents, end of period	**$ 37,825**	$ 36,458

1. NATURE OF OPERATIONS AND GOING CONCERN

VVC Exploration Corporation (the "Company") was incorporated on April 11, 1983 under the Company Act (British Columbia) and in August 2003, was continued federally under the Canada Business Corporations Act. The Company's principal business activities include the exploration and development of precious metals mineral properties in Canada and Mexico.

For the Company's exploration stage mineral properties, the Company is in the process of exploration and has not yet determined whether they contain economically recoverable reserves. The recoverability of amounts shown for exploration stage mineral properties (note 6) is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, maintenance of the Company's interest in the underlying mineral claims and leases and upon future profitable production from or the proceeds from the disposition of its mineral properties.

These condensed unaudited interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the successful completion of the actions taken or planned. In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. As at October 31, 2012 , the Company has accumulated losses of $27,771,363 .

These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These condensed unaudited interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed unaudited interim consolidated financial statements of the Company and its subsidiary were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

These condensed unaudited interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated audited financial statements for the year ended January 31, 2012.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation and consolidation

These condensed unaudited interim consolidated financial statements have been prepared in accordance with IFRS and include the accounts of the Company and its wholly-owned subsidiary, VVC Exploracion de Mexico, S. de R.L. de C.V., incorporated under the laws of Mexico in 2010. All intercompany transactions and balances have been eliminated upon consolidation.

Financial instruments

Financial instruments are required to be classified as one of the following: held-to-maturity; loans and receivables, fair value through profit or loss; available-for-sale or other financial liabilities.

The Company's financial instruments include cash and cash equivalents, accounts receivable, short-term investments, accounts payable and accrued liabilities and notes payable. The Company designated its cash and cash equivalents as fair value through profit or loss, short-term investments as available-for-sale, its accounts receivable as loans and receivables, and its account payable and accrued liabilities as other financial liabilities, both of which are measured at amortized cost.

Fair value through profit or loss financial assets are measured at fair value with gains and losses recognized in operations. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).

Fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of a financial instrument that is quoted in active markets is based on the bid price for a financial asset held and the offer price for a financial liability. When an independent price is not available, fair value is determined by using a valuation which refers to observable market data. Such a valuation technique includes comparisons with a similar financial instrument where an observable market price, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants exist. If no reliable estimate can be made, an the Company is permitted to measure the financial instrument at cost less impairment.

Equipment

Equipment is recorded at cost. Amortization is provided over the expected useful life of the equipment as follows:

Computer equipment	30% declining balance.
Automobile	Straight line of three years

Mineral properties

Mineral property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit of production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are abandoned or the carrying value is determined to be in excess of possible recoverable amounts. The cost of mineral properties includes any cash consideration paid, and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred pre-production exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The recoverability of amounts shown for mineral properties and deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When events or changes in circumstances suggest possible impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources and operating and capital costs on an undiscounted basis. When estimated future undiscounted cash flows are less than the carrying value, the asset is considered impaired. Reductions in carrying value are recorded to the extent the book value exceeds the fair value of the assets.

Impairment of long-lived assets

The Company's tangible and intangible assets are reviewed for indications of impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. An assessment is made at each reporting date whether there is any indication that an asset may be impaired.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss for the period. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized There were no significant indicators of impairment of the carrying values of long-lived assets at October 31, 2012 or January 31, 2012.

Stock-based compensation

Stock options and warrants awarded to non employees are accounted for using the fair value of the instrument awarded or service provided whichever is considered more reliable. Stock options and warrants awarded to employees are accounted for using the fair value method. The fair value of such stock options and warrants granted is recognized as an expense on a proportionate basis consistent with the vesting features of each tranche of the grant. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant.

Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year after giving effect to potentially dilutive financial instruments. The dilutive effect of stock options and warrants is determined using the treasury stock method.

Income taxes

The Company accounts for income taxes using the asset and liability method of accounting. Under this method, future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance, to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

Foreign exchange

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those reported.

Significant estimates used in the preparation of these condensed unaudited interim consolidated financial statements include, but are not limited to the estimated net realizable value of mineral properties, stock-based compensation and composition of future income tax assets and liabilities.

The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimates, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants granted during the year. Future income taxes are based on estimates as to timing of the reversal of temporary differences and tax rates currently substantively enacted. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

3. RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2015 and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 7, Financial Instruments Disclosures, was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company is currently assessing the impact on the consolidated financial statements.

IFRS 10, Consolidated Financial Statements and IFRS 12, Disclosure of Interests in Other Entities: In May 2011, IASB issued IFRS 10 and IFRS 12. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity’s consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity’s financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted if adopted along with IFRS 11, IFRS 12, IAS 27 (revised) and IAS 28 (revised). The Company is currently assessing the impact of these standards on the consolidated financial statements.

IFRS 11, Joint Arrangements: In May 2011, the IASB issued IFRS 11, which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties have rights to the net assets of the arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

3. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

The Company is currently assessing the impact that IFRS 11 will have on the consolidated financial statements.

IFRS 13, Fair Value Measurement: In May 2011, the IASB issued IFRS 13. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company is currently assessing the impact of this standard on the consolidated financial statements.

Other Comprehensive Income - In June 2011, the IASB and the Financial Accounting Standards Board ("FASB") issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1, Presentation of Financial Statements ("IAS 1") to require companies preparing financial statements under IFRS to separately group items within OCI that may be reclassified to profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments to IAS 1 set out in Presentation of Items of Other Comprehensive Income are effective for fiscal years beginning on or after July 1, 2012. The Company is currently assessing the impact of these amendments on the consolidated financial statements.

4. ACCOUNTS PAYABLE

	October 31, 2012	January 31, 2012
Interest payable	**$ 49,061**	$ -
Other trade payables	**46,168**	49,832
Payables related to mineral properties	**14,638**	30,526
Accounts payable and accrued liabilities	**$ 109,867**	$ 80,358

5. EQUIPMENT

	Computer equipment	Automobile	Total
Cost			
Balance, February 1, 2011	$ 41,913	$ 12,929	$ 54,842
Balance, January 31, 2012	41,913	12,929	54,842
Disposals	-	(12,929)	(12,929)
Balance, October 31, 2012	$ 41,913	$ -	$ 41,913

5. EQUIPMENT (Continued)

Accumulated Depreciation			
Balance, February 1, 2011	$ 35,952	$ 7,182	$ 43,134
Depreciation for the year	1,788	1,916	3,704
Balance, January 31, 2012	37,740	9,098	46,838
Depreciation for the period	939	-	939
Disposals	-	(9,098)	(9,098)
Balance, October 31, 2012	$ 38,679	$ -	$ 38,679
Carrying Amounts			
At January 31, 2011	$ 4,173	$ 3,831	$ 8,004
At October 31, 2012	$ 3,234	$ -	$ 3,234

6. MINERAL PROPERTIES AND DEFERRED PROPERTY ACQUISITION COSTS

	Balance January 31, 2011	Additions/ (Recoveries)	Write-downs/ Disposals	Balance October 31, 2012
Mineral properties:				
Cumeral and La Tuna mineral properties (Mexico):				
Administration	$ 148,432	$ 69,784	$ -	**$ 218,216**
Drilling and exploration	79,403	-	-	**79,403**
Consulting	20,846	-	-	**20,846**
Geologist	33,754	32,882	-	**66,636**
Camp and travel	33,006	2,803	-	**35,809**
Acquisition	579,376	226,641	-	**806,017**
Supervision	1,000	-	-	**1,000**
Assaying and analysis	23,174	12,528	-	**35,702**
General expenses	2,742	130	-	**2,872**
Claims and taxes	21,875	80,371	-	**102,246**
	943,608	425,139	-	**1,368,747**
Ontario area properties (Canada):				
Acquisition costs	2	-	-	**2**
	2	-	-	**2**
Total development stage properties	$ 943,610	$ 425,139	$ -	**$ 1,368,749**

Cumeral, Mexico

In March 2010, the Company finalized an agreement which provides an option to acquire a 100% interest in the 665 hectare gold mining project known as Cumeral (the "Cumeral Property"), consisting of three mining concessions in the State of Senora, Mexico. The 100% interest in the Cumeral Property can be acquired for cash consideration of US$800,000 plus applicable taxes ("VAT"), payable over a period of three years and the issuance of 200,000 common shares of the Company. The Cumeral Property is subject to the reservation of a 2% Net Smelter Return ("NSR"). A finder's fee of US$5,000 and 130,000 common shares of the Company was paid to third parties who were instrumental in arranging the transaction.

6. MINERAL PROPERTIES AND DEFERRED PROPERTY ACQUISITION COSTS (Continued)

Payments to the optionor will be as follows:

$120,000 USD on April 15, 2010 (paid)
$100,000 USD on October 15, 2010 (paid)
$100,000 USD on April 15, 2011 (paid)
$125,000 USD on October 15, 2011 (paid)
$150,000 USD on April 15, 2012 (paid)
$175,000 USD on October 15, 2012 (partially paid)

La Tuna, Mexico
In March 2010, the Company completed the acquisition of a 3,533 hectare gold mining project known as La Tuna, located in the municipality of Alamos in the State of Sinaloa, Mexico. The Company acquired a 100% interest in La Tuna for cash consideration of US$40,000 plus VAT and 300,000 common shares of the Company. La Tuna is subject to the reservation of a 2% NSR with a buy-back option.

Ontario properties
Due to the lack of continuous work on these properties and units, they were written down to a minimal value.

7. RELATED PARTY TRANSACTIONS AND BALANCES

During fiscal 2012, the Company obtained financing of $267,735 (3,250,000 Mexican Pesos) via promissory notes from a company which is controlled by a significant shareholder of the Company. These promissory notes are due by December 31, 2014, unless the Company obtains sufficient financing earlier to repay the principal and interest balances. The promissory notes charge interest an annual rate of 12% and are secured by promissory notes issued by the borrower in favour of the lender.

During the period, the Company obtained an additional $357,835 (4,363,841 Mexican Pesos) of financing via a promissory note from the same company. This promissory note is due four months from the date of issuance, unless the Company obtains sufficient financing earlier to repay the principal and interest balance. The promissory note charge's interest an annual rate of 15% and is secured by promissory notes issued by the borrower in favour of the lender.

The promissory notes due to a related party at October 31, 2012 and January 31, 2012 were $625,570 (7,628,902) and $267,735 (3,250,000 Mexican Pesos) respectively.

Included in accounts payable and accrued liabilities is $49,061 of interest payable relating to these promissory notes.

Compensation to key management personnel were as follows:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	**2012**	2011
Compensation	**$ 41,500**	$ 60,805	**$ 157,000**	$ 249,077
Share-based payments (1)	**16,170**	71,535	**68,935**	75,741
Total	**$ 57,670**	$ 132,340	**$ 225,935**	$ 324,818

8. SHARE CAPITAL

(a) Authorized
Unlimited common shares without par value

(b) Issued:

	Number of shares	Amount
Balance, February 1, 2012	63,300,961	22,468,883
Shares issued on private placement	7,751,620	387,581
Share issue costs	-	(31,653)
Valuation of share purhase warrants	-	(88,169)
Balance October 31, 2012	71,052,581	$ 22,736,642

During the period, the Company completed various private placement financings of a total 7,751,620 units at a price of $0.05 per unit for gross proceeds aggregating to $387,581. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.12 per share for a period of one year and thereafter, $0.18 for an additional one year. Share issue costs amounting $31,653 was incurred in obtaining this financing, this included a finders fee of $7,200.

Related parties of the Company subscribed to 1,661,500 units of the private placement for gross proceeds of $83,075.

The fair value of the share purchase warrants was estimated using the Black-scholes option pricing model with the following assumptions: dividend yield of 0%, risk-free interest rate of 1.15%, volatility of 117.63% and 122.86% and estimated life of 2 years. The estimated fair value assigned to the warrants was $88,169.

The $387,581 raised, represents the first and second tranches of a planned equity financing to raise up to $1,500,000.

(c) Stock Options

The Company grants options pursuant to the policies of the TSX Venture Exchange with respect to eligible persons, exercise price, maximum options per person and termination of eligible person status. Options granted vest as to 25% upon grant and 25% each six months thereafter.

Stock option transactions and the number of stock options outstanding were as follows:

	Number of Options	Weighted average Exercise Price
Balance, February 1, 2012	4,721,000	$ 0.25
Expired/cancelled	(350,000)	0.18
Balance, October 31, 2012	4,371,000	$ 0.25

8. SHARE CAPITAL (continued)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at October 31, 2012 are as follows:

Options Outstanding				Options Exercisable	
Exercise Range	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price
$0.15 - $0.20	1,925,000	$ 0.20	6.21	1,625,000	$ 0.20
$0.28 - $0.29	1,600,000	$ 0.28	0.78	1,600,000	$ 0.28
$0.30 - $0.30	586,000	$ 0.30	2.03	586,000	$ 0.30
$0.36 - $0.36	260,000	$ 0.36	1.69	260,000	$ 0.36
	4,371,000	$ 0.25	3.39	4,071,000	$ 0.26

No stock options were granted during the period.

Stock based compensation of $89,612 (2011 - $137,375) relates to vested stock options that were granted in prior periods.

(d) Warrants

The following table reflects the continuity of warrants:

2013

Expiry Date	Exercise Price	Balance January 31, 2012	Warrants Issued	Warrants Exercised	Expired/ Cancelled	Balance October 31, 2012
February 27, 2012	**$0.50**	**1,440,000**	**-**	**-**	**(1,440,000)**	**-**
April 11, 2012	**$0.12**	**9,521,430**	**-**	**-**	**(9,521,430)**	**-**
April 11, 2014	**$0.12 - $0.18**	**-**	**9,521,430**	**-**	**(7,871,429)**	**1,650,001**
August 31, 2014	**$0.12 - $0.18**	**-**	**2,950,120**	**-**	**-**	**2,950,120**
September 24, 2014	**$0.12 - $0.18**	**-**	**4,801,500**	**-**	**-**	**4,801,500**
	$0.12 - $0.18	**10,961,430**	**17,273,050**	**-**	**(18,832,859)**	**9,401,621**

On April 11, 2012, 9,521,430 warrants initially issued on April 11, 2011, expiring April 11, 2012 were extended to April 11, 2014. The extended warrants were revalued using the Black-Scholes pricing model with the following assumptions; dividend yield - 0%, volatility - 93.12%, risk-free interest rate - 1.2% and expected life - 2 years. The estimated fair value of $176,371 was charged to the consolidated statement of loss.

2012

Expiry Date	Exercise Price	Balance January 31, 2011	Warrants Issued	Warrants Exercised	Expired/ Cancelled	Balance January 31, 2012
January 9, 2011	$0.42	2,857,500	-	-	(2,857,500)	-
February 27, 2012	$0.50	1,440,000	-	-	-	1,440,000
April 11, 2012	$0.12	-	11,000,000	(1,478,570)	-	9,521,430
	$0.17	4,297,500	11,000,000	(1,478,570)	(2,857,500)	10,961,430

(e) Shares to be issued

During the period, the Company received $77,500 for units to be issued. These units will be issued as part of a third tranche of a previously disclosed private placement financing of an aggregate 30,000,000 units for gross proceeds aggregating to $1,500,000.

9. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus:

	Amount
Balance, January 31, 2012	$ 5,305,431
Stock-based compensation	89,612
Fair value share purchase warrants issued	88,169
Fair value of extended warrants	176,371
Balance, October 31, 2012	$ 5,659,583

10. LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2012	2011	**2012**	2011
Numerator				
Net loss	**$ (120,541)**	$ (236,185)	**$ (707,294)**	$ (546,417)
Denominator				
Weighted average number of common shares outstanding, basic and diluted	**68,351,558**	61,822,390	**64,984,493**	58,837,321
Basic and diluted loss per share	**$ -**	$ -	**$ (0.01)**	$ (0.01)

As a result of losses incurred, the potential effect of the exercise of stock options and warrants was anti-dilutive.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being mineral exploration. As at October 31, 2012 , the Company's mineral resource properties are located in Mexico and Canada and its corporate assets are located in Canada. the Company is in the exploration stage and, accordingly, has no reportable segment revenues.

A summary of total assets by geographic region is as follows:

October 31, 2012	**Canada**	**Mexico**	**Total**
Current assets	**$ 65,816**	**$ -**	**$ 65,816**
Mineral properties	**2**	**1,368,747**	**1,368,749**
Equipment	**3,234**	**-**	**3,234**
	$ 69,052	**$ 1,368,747**	**$ 1,437,799**

11. SEGMENTED INFORMATION (Continued)

January 31, 2012	Canada	Mexico	Total
Current assets	$ 70,145	$ 36,579	$ 106,724
Mineral properties	2	943,608	943,610
Equipment	8,004	-	8,004
	$ 78,151	$ 980,187	$ 1,058,338

12. CAPITAL MANAGEMENT

In the management of capital, the Company includes shareholders' equity (excluding accumulated other comprehensive income). The Company's objective in managing capital is to ensure that financial flexibility is present to increase shareholder value and respond to changes in economic and/or market conditions; to retain a strong capital base so as to maintain investor, creditor and market confidence and to safeguard the Company's ability to obtain financing should the need arise.

In maintaining its capital, the Company has a strict investment policy which includes investing its surplus capital only in highly liquid and highly rated financial instruments.

The Company reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the year.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The fair value of financial assets and liabilities together with the carrying amounts in the consolidated balance sheets are as follows:

The Company has classified financial assets as follows:

	October 31, 2012	January 31, 2012
Fair value through profit or loss, measured at fair value:		
Cash and cash equivalents	**$ 37,825**	$ 92,925
Loans and receivable, measured at amortized cost:		
Accounts receivable	**$ 27,991**	$ 13,799
Other liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	**$ 109,867**	$ 80,358
Due to related party	**$ 625,570**	$ 267,735

The fair value of the Company's financial assets and liabilities approximates their respective carrying values as at the balance sheet dates because of the short term maturity of these instruments. The fair value of the financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

At October 31, 2012 and January 31, 2012, cash and cash equivalents was measured using level 1 inputs.

Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company invests its excess cash on a daily basis in highly liquid and highly rated financial instruments. A change in the credit worthiness of the companies invested in could have an impact on the value of the Company's daily investments. Management believes this risk of loss is remote.

Liquidity Risk
The Company has no income and relies on equity financing to support its exploration programs. Management prepares budgets and ensures funds are available prior to commencement of any such program. As at October 31, 2012 , the Company does not have sufficient capital to fund its operations over the next twelve months. As at October 31, 2012 , the Company had a cash and cash equivalents balance of $37,825 and $92,925 on January 31, 2012 to settle current liabilities of $ 109,867 at October 31, 2012 and $348,093 at January 31, 2012.

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

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity price risk is remote since the Company is not a producing entity.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity Analysis
The Company does engage in significant transactions and activities in currencies other than its reported currency. The Company's exploration activities are primarily in Mexico; accordingly, the resulting assets and liabilities are exposed to foreign exchange fluctuations.

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities that are denominated in Mexican Pesos. Sensitivity of closing balances to a plus or minus 10% change in foreign exchange rates, with all other variables held constant, would affect net income by approximately $5,824.

14. SUBSEQUENT EVENTS

Subsequent to the period, the Company received $31,000 in private placement financing. These funds were received as part of the third tranche of a previously disclosed private placement financing of an aggregate 30,000,000 units for gross proceeds aggregating to $1,500,000. The Company will issue 2,170,000 units to the subscribers for a total $108,500 received ($77,500 during the period and $31,000 subsequent to the period).

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