VVC Exploration Corporation

A Canadian Exploration and Mining Company

Annual Report

2011

Corporate Information

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Share Capital (as at June 30, 2011):

Authorized: unlimited
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Share listed:

TSX Venture Exchange - VVC
Frankfurt Stock Exchange - V7S

✦ President's Report

To the Shareholders of VVC Exploration Corporation:

On behalf of the Board of Directors of VVC Exploration Corporation ("VVC" or the "Company"), I am pleased to present the Management Discussion and Analysis and the Financial Statements for the year ended January 31, 2011.

I had the pleasure of joining the Board of Directors in May 2011 and then agreed to assume the role of President and CEO of the Company in June following the resignation of my predecessor. After assuming the leadership role, I began to reassess with the management team, the previous business course of the Company with a view to focusing in those areas with the potential to produce the maximum benefit for the Company and its shareholders. I am providing you a brief summary of where VVC stands today and where the Board sees the Company headed in the future.

Strategic Overview

I envision VVC developing into a significant junior exploration company focused on properties in the Sierra Madre in Northern Mexico. We are proposing to amass and develop a valuable portfolio of properties whose resources can be developed with the new strategy being elaborated by the Board. That strategy is to identify and develop projects that can be brought into production quickly and inexpensively. Specifically, we mean identifying and acquiring projects that because of ease of exploration and project type can relatively quickly be in production and potentially produce a cash flow which can then be used for further development and for exploration of other areas or other properties. We plan to choose our projects based on where they fit in our exploration schedule and process, so that we eventually have a stream of projects at different levels of the exploration, development and production process.

Our present properties in Mexico fit that model. We hope over the next year to identify and acquire 2 to 4 additional properties, to fit into our exploration schedule as we work to build a resource base for the Company.

From a mining and geology standpoint, I believe that VVC is on point with today's market. In 2008 and 2009, VVC expanded the Company's exploration portfolio and focused its efforts and resources on developing gold and silver mineral exploration opportunities both in Canada and in Mexico. Hence, the Company began the preliminary exploration of the 2 Mexican projects acquired in 2008 and 2009 with the objective of identifying the most prospective areas and focusing the Company's exploration efforts on those areas. The results of the 2009 exploration activities confirmed the presence of gold and silver in the areas, but indicated that more general prospecting was required to be followed by further drilling. As a result, two projects in Mexico were dropped: the Santa Valeria silver property, and the Santa Cristina gold-silver property. While both properties showed promise, the conclusion was that establishing a substantive resource base in either would be more onerous than originally anticipated due to the complexity of the geological structure and was therefore lower on our list of priorities. Hence VVC judged that neither property merited the costs of maintaining and carrying out further expenditures on the VVC's part. The two Canadian projects, the Timmins Township Property, and the Beauce-Bellechasse (BB) Gold Property in Quebec are currently on stand-by due to the lack of development and excitement in the area and our focus in Mexico. Over the next few months we expect to either sell or farm-out these projects to interested third parties.

Cumeral Property

The Company's main focus and priority is the Cumeral project because of its location, ease of access and mineral potential. Cumeral is located on the well mineralized Sierra La Jojoba trend in Mexico which is host to a number of other outstanding precious metals prospects, including the Mina Lluvia de Oro and Mina La Jojoba deposits. Our exploration work on the Cumeral Property in 2010, while limited, leads us to believe that this project is an excellent prospect for identifying near-surface gold resources. During the ensuing year, VVC expects to systematically explore and drill test the initially identified 5 target areas, in conjunction with continued prospecting along the strike extensions of the mineralized zones. Further general prospecting needs to be carried out in the unexplored part of the Property.

Other Projects in Mexico

The La Tuna Property, in the Municipality of Alamos, Sinaloa State, is a placer/paleoplacer gold prospect with historical grades (non 43-101 compliant) ranging from 1 to 3 g/m3 Au. This is very interesting project, but less accessible and more difficult and expensive to explore than Cumeral.

The Company is also focused on identifying and acquiring additional gold and silver properties in Northern Mexico that can be managed by the same team used to manage the Cumeral project. We have several leads already.

Future Plans

Going forward, we plan for VVC to take a much more aggressive position in the market, by raising funds, joint ventures, and acquisitions of additional properties.

For such a strategy to succeed, we have to choose properties with a very high probability of success, even if metals prices are substantially lower than today. The Company has assembled a talented team of staff and advisors and believes that we have the ability to do so.

Two firms have made significant investments in the Company over the last year: one a private Canadian mining company, and the second, a Canadian merchant bank that services the mining industry.

We appreciate their support and your support and recognize our obligation as the Management and Board of Directors to do our best to help VVC succeed so that we can all enjoy that success.

On Behalf of the Board of Directors

James A. Culver

James A. Culver, President & CEO

June 30th, 2011

✦ Mot du President

Aux Actionnaires de VVC Exploration Corporation:

Au nom du Conseil d'Administration de VVC Exploration Corporation ("VVC" ou la "Société"), je suis heureux de vous présenter le rapport de gestion et les états financiers pour l'année financière se terminant le 31 Janvier, 2011.

J'ai eu le plaisir de me joindre au Conseil d'Administration en Mai 2011 et ensuite j'ai accepté d'assumer le rôle de Président et Chef de la Direction de la Société en Juin, suite à la démission de mon prédécesseur. Après avoir pris en charge la direction de VVC, j'ai débuté, avec l'aide de l'équipe de gestion, la réévaluation des affaires antérieures de la Société afin de nous concentrer vers les secteurs ayant le potentiel de produire le maximum d'avantages pour la Société et ses actionnaires. Je vous fournis un bref résumé sur la situation de VVC à ce jour et de son orientation pour l'avenir.

Aperçu stratégique

Je visualise VVC se développant en une compagnie d'exploration junior axée sur des propriétés situées dans la Sierra Madre, au nord du Mexique. Nous proposons d'amasser et de développer un important portefeuille de propriétés dont les ressources peuvent être mises en valeur selon la nouvelle stratégie élaborée par le Conseil. Cette stratégie consiste à identifier et développer des projets qui peuvent être mis en production rapidement et à moindre coût. Plus précisément, nous entendons l'identification et l'acquisition de projets qu'en raison de leur facilités d'exploration et du type de projet, seraient relativement rapide à mettre en production et auraient le potentiel de produire un fond de roulement pouvant être ensuite utilisé pour le développement et pour l'exploration d'autres zones ou d'autres propriétés. Nous prévoyons choisir nos projets basés sur leur degré de développement, de sorte à avoir éventuellement plusieurs projets à différents niveaux d'exploration, de développement et de production.

Nos propriétés actuelles au Mexique suivent ce modèle. Nous espérons, d'ici l'an prochain, identifier et acquérir 2 à 4 propriétés supplémentaires, pouvant s'intégrer dans notre portefeuille d'exploration afin de construire et d'établir une base de ressource pour la Société.

Du point de vue géologique et minier, je crois que VVC est au bon endroit face aux marchés d'aujourd'hui. En 2008 et 2009, VVC a élargi son portefeuille de propriétés d'exploration minière et a concentré ses efforts et ses ressources sur l'exploration de nouveaux projets aurifères et argentifères au Canada et au Mexique. Par conséquent, la Société a commencé l'exploration préliminaire de 2 projets Mexicains acquis en 2008 et 2009 avec l'objectif d'identifier les zones les plus prometteuses et de concentrer les efforts d'exploration de la Société sur ces zones. Les résultats des activités d'exploration de 2009 ont confirmé la présence d'or et d'argent dans ces zones, mais ont aussi indiqué que des travaux de prospection générale étaient nécessaires afin d'être suivis par d'autres forages. En conséquence, ces deux projets au Mexique furent abandonnés, soit la Propriété argentifère Santa Valeria, et la Propriété aurifère Santa Cristina. Bien que ces deux propriétés ont démontré du potentiel, nous avons conclu que l'établissement de ressources significatives dans ces deux cas serait plus onéreux que prévu en raison de la complexité de la structure géologique et que par conséquent, elles se retrouvaient au bas de notre liste de priorités. VVC a donc jugé que ni l'une ni l'autre de ces propriétés ne méritaient les coûts de maintien et des dépenses supplémentaires de notre part. Les deux projets Canadiens, la Propriété du Canton Timmins en Ontario et la Propriété Aurifère Beauce-Bellechasse au Québec, sont actuellement en attente dû à l'absence de développement majeur et d'excitation dans ces régions et aussi vu notre centre d'intérêt principal qui est au Mexique. Au cours des prochains mois, nous prévoyons vendre ou octroyer une option sur ces projets à des tierces parties intéressées.

Propriété Cumeral

La priorité principale de la Société est le projet Cumeral en raison de son emplacement, de sa facilité d'accès et de son potentiel minéral. La Propriété Cumeral est située sur la structure minéralisée Sierra de Jojoba, au Mexique, étant l'hôte d'un grand nombre de remarquables projets prospectifs en métaux précieux, y compris les dépôts Oro Mina Lluvia et Mina La Jojoba. Nos travaux d'exploration sur la propriété Cumeral en 2010, bien que limités, nous laisse croire que ce projet est une excellente opportunité d'identifier des ressources aurifères près de la surface. Durant l'année en cours, VVC s'attend à explorer systématiquement et à forer les 5 zones cibles initialement identifiées, en conjonction avec des travaux de prospection le long de l'extension de ces zones minéralisées. De la prospection générale doit aussi être réalisée dans la partie inexplorée de la propriété.

Autres projets au Mexique

La Propriété La Tuna située dans la municipalité de Alamos, État de Sinaloa, est un projet prospectif en or placérien/paléoplacérien avec des valeurs historiques (non-conformes aux Politiques 43-101) allant de 1 à 3 g/m3 Au. Ce projet est très intéressant, mais moins accessible, plus difficile et coûteux à explorer que Cumeral.

La Société a également ciblé l'identification et l'acquisition de propriétés aurifères et argentifères supplémentaires dans le nord du Mexique, dont l'exploration pourrait être supervisée par la même équipe gérant le projet Cumeral. Nous avons déjà quelques projets en vue.

Plans d'avenir

Pour l'avenir, nous anticipons que VVC prendra une position beaucoup plus agressive sur le marché par l'entremise de levée de fonds, de co-entreprises et d'acquisition de propriétés supplémentaires.

Pour qu'une telle stratégie puisse réussir, nous devons choisir des propriétés avec une très forte probabilité de succès, même si les prix des métaux deviennent sensiblement plus bas qu'aujourd'hui. La société a assemblé une équipe talentueuse de personnel et de conseillers, et estime que nous avons la capacité de réaliser notre objectif.

Deux entreprises ont fait des investissements importants dans VVC au cours de la dernière année, une société privée minière canadienne, et la seconde, une banque d'affaire (merchant bank) canadienne desservant le secteur minier.

Nous apprécions leur soutien et le vôtre, et sommes conscients des obligations que nous avons en tant qu'équipe de gestion et que Conseil d'Administration de faire de notre mieux pour assurer le succès de VVC afin que nous puissions tous en profiter.

Au nom du Conseil d'Administration

James A. Culver

James A. Culver, Président & Chef de Direction

30 juin, 2011

The Company's mineral properties, which include recently optioned properties in Mexico, are described below. The technical aspects contained herein were reviewed by Peter Dimmell, P.Geo. (NL, Temp ON), a director of the Company, who is a Qualified Person (QP) as defined in National Instrument 43-101. The QP has visited the Cumeral Property in Mexico and the Beauce Bellechasse Property in Canada, but has not visited the La Tuna Property in Mexico, nor the Timmins Twp. Property in Canada. The technical information, on those properties not visited by the QP, is derived from reports and data on those properties, which is believed to be correct.

Mexico

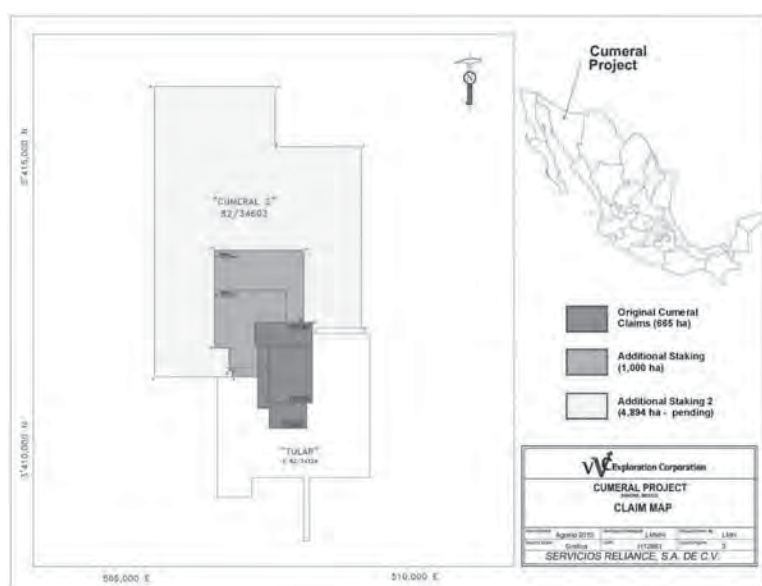
Cumeral Property

1. Property and Ownership

The Cumeral Gold Property covers 6,649 hectares (ha) in the State of Sonora, Mexico consisting of 3 optioned mining concessions totalling 665 ha and two adjoining staked areas (5,984 ha). The Property is located in the municipality of Imuris, approximately 200 kilometres to the north of the city of Hermosillo. Road access, by a network of gravel road from the main paved highway, is excellent. Travel time is approximately 30 minutes from the nearest small town, Imuris, where all necessary services and infrastructure are available. The Cumeral Property is located approximately 140 kilometres south of Tucson, Arizona by Highway 15 which runs from the United States border to the city of Hermosillo. Rail access parallels Highway 15 between the border city of Nogales and Hermosillo.

In 2010, the Company finalized a formal agreement with two Mexican individuals (the "Vendors") for the Cumeral Property. Through Company's wholly-owned Mexican subsidiary, VVC Mexico SA ("VVC Mexico"), the Company has the option to acquire a 100% interest in the original 665 ha Cumeral Property. VVC originally signed a letter of assignment with Invesmin San Miguel S de RL de CV ("ISM"). ISM subsequently withdrew from the letter of assignment to permit VVC Mexico SA to negotiate directly with the Vendors. Under the finalized option agreement, VVC will pay a total of US$800,000 plus taxes to the private individuals, of which US$350,000 has been paid. The remaining US$450,000 will be paid over 3 payments before October 15, 2012. The private individuals will retain a 1% Net Smelter Royalty ("NSR"). ISM will retain a 1% NSR and have received 200,000 common shares of VVC (issued). A third, arm's length party, received a finder's fee of 130,000 common shares of VVC (issued).

VVC Mexico, through an intermediary, acquired from the Ministry of Mines, two (2) additional concessions covering 1,000 ha adjoining the Property on the northwest and one (1) further adjoining concession covering an additional 4,984 ha. The recently staked concessions are 100% owned by VVC and are not subject to the Option Agreement covering the original 665 ha.



The Cumeral Property is located in the Sierra Madre Occidental which is characterized by long narrow mountainous areas of moderate relief, limited by the extensive semi-desert to desert plains of the Sonoran Desert at approximately 900 m elevation above sea level (asl). The Property topography is moderate consisting of hills with elevations ranging from 900 to 1,100 metres asl. The average yearly temperature is about 17 degrees Celsius ranging from minus 3 in January to as much as 40 degrees Celsius in July. Annual precipitation averages 480 mm with a summer rainy season and occasional snow in the winter. Cattle ranching is prevalent.

Fauna includes squirrels, rabbits, hares, coyotes, wild boars, rats, badgers, foxes, skunks, hawks, falcons and quail. Vegetation includes many species of cactus, including saguaro vinoramam, white wood and mesquite. There are no known environmental issues or endangered species in the area.

2. Geology and Mineralization

The Property is located in the geological provinces of the Sonora Plains and the Sierra Madre Occidental. The geological setting is late Jurassic metamorphic units, formerly sedimentary to volcanic units, cut by granites in the eastern part of the Property. Specifically, the Property is underlain by interbedded muscovite-biotite schists, formerly rhyodacitic units, of Jurassic age with quartz diorite dikes also noted.

The structural fabric is dominated by northwest striking, dextral, wrench fault systems with associated sinistral shears and normal faults, a structural regime favourable for dilational structural zones conducive to the emplacement of large, epithermal gold mineralized systems. The fracture systems, which appear to control the mineralization on the Property, trend northwest and dip at 85 degrees to the southeast. Dominant structures correspond to faults and fractures which intersect, reflecting different tectonic episodes. Low-angle reverse and normal faults trend mainly northeast-southwest and north-south, and are cut by a third group of northwest-southeast structures which are the strongest and are caused by the late, major tectonic features.

The Property is located along the well mineralized "Sierra La Jojoba" trend which is host to numerous other prospects and small mines, including the Mina Lluvia de Oro and Mina La Jojoba deposits located about 15 kilometres to the southwest. The Cumeral mineralized zone can be traced along strike for 3 kilometres over widths of up to 1 kilometre with the zone open along strike to both the northwest and southeast. Sericite-illite alteration, quartz vein stockworks and abundant iron oxides are noted, with the alteration related to both low and high angle structures. Mineralization, mainly gold and silver, is associated with structures such as quartz stockworks with abundant iron oxide (hematite) hosted in Jurassic age metavolcanic, muscovite-biotite schists. Sub-horizontal mineralized quartz veinlets are generally parallel to bedding. Alteration controls are the schistose foliation as well as low to high angle structures. Visible gold has been panned from the altered zone. A mafic dyke, associated with a north trending vein system in one of the exploration target areas (Area A) also has strong copper mineralization as chalcocite, chalcopyrite, malachite and azurite with significant gold and silver values.

3. Mining in Sonora

Sonora has a long history of mining back to Spanish colonial times. Over the past 20 years, the region has benefited from significant exploration for gold including for "Carlin-style" sediment hosted deposits resulting in the definition and development of several deposits and mines.

Carlin-style mineralization typically occurs as shallow systems where lower grade gold occurs finely disseminated in carbonaceous, limey siltstones and altered limestone at depths of 150-200 metres, with deeper, higher-grade sulphide-gold mineralization commonly occurring at depths below 300 metres. Based on publicly disclosed information to date, gold exploration in Sonora is still defining the shallower systems and has yet to fully explore the mineralized potential at depth.

4. Past Exploration on the Cumeral Property

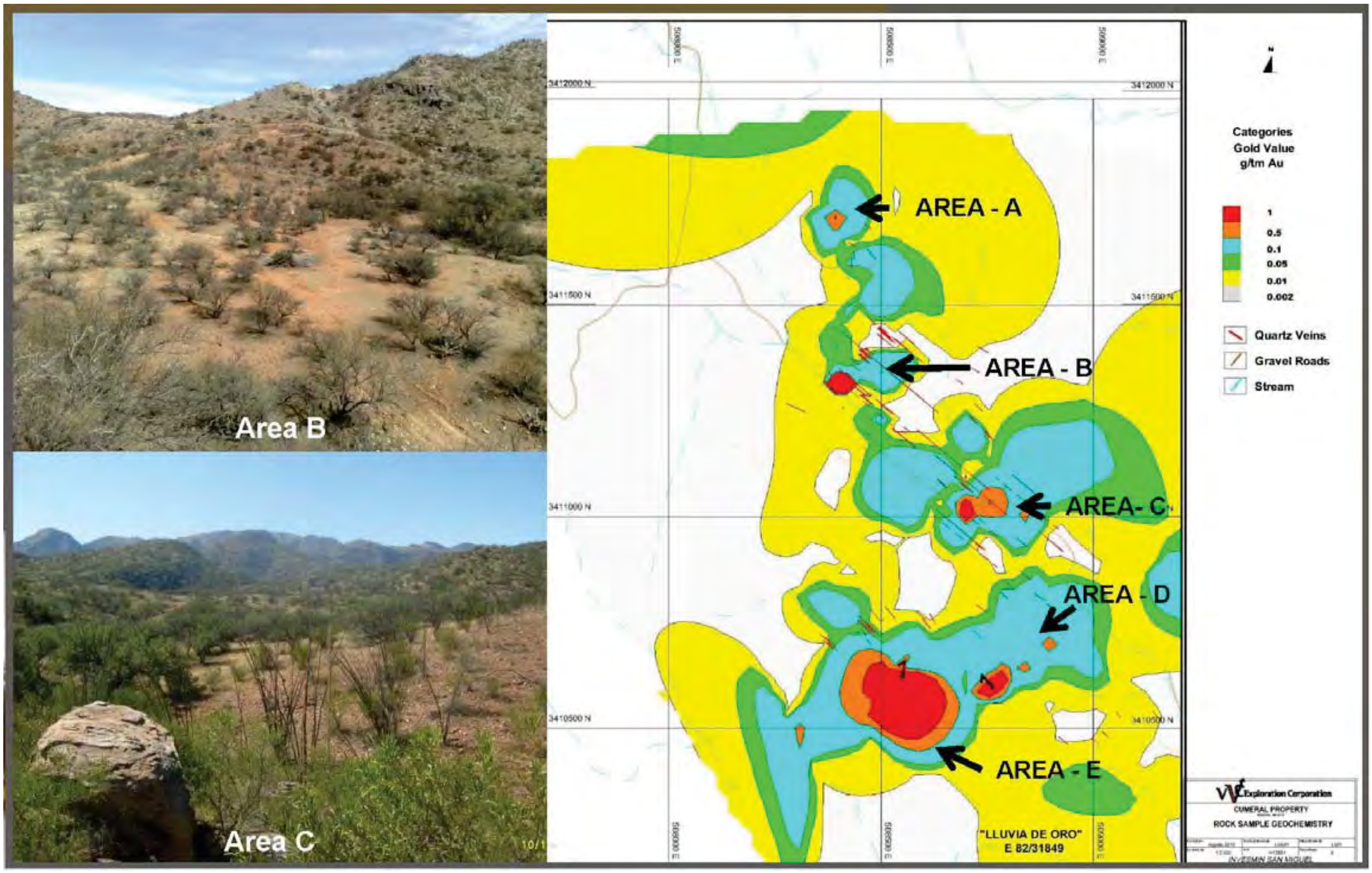
The Cumeral Property has been mined historically by artisanal miners (gambusinos). Shallow pits, shafts and short adits have been dug on Areas A, B, C, and D with most of the work concentrating on three or four shallow shafts on Area B. The rock was blasted and taken out by hand and carried to an arrastre (an artisinal grinding method) away from the Property where it was ground and the gold recovered by panning. No historical data on the artisanal production (grades/tonnages) is known.

In 2008, Corex Gold Corp. ("Corex") optioned the Cumeral Property and completed a sampling program. Corex's sampling included panning gold from the old workings and from an outcrop within the Tularcito altered zone. They collected 219 rock chip surface samples over an approximate 8 kilometres by 13 kilometre area with the majority of sampling concentrated on the 1.5 kilometre by 4 kilometre, Tularcito zone. Samples taken across the structural controls and foliation gave values up to 39.5 g/T gold and 29.2 g/T silver over widths of up to 1.5 metres. Corex noted that surface colour anomalies (red oxidation) could be a useful guide for mineralization and alteration. Corex spent approximately $150,000 on the acquisition and exploration on the Cumeral Property. No reverse circulation or diamond drilling was carried out. Corex apparently terminated its Cumeral option agreement to focus limited cash resources on a more advanced property.

5. Exploration by VVC

To date, VVC has spent over $400,000 (exclusive of taxes) on the acquisition and exploration of the Cumeral Property, having completed a payment of $100,000 on April 15.

Exploration by VVC has included geological mapping, prospecting and rock chip sampling (89 samples) over a 120 hectare area in the vicinity of the old pits and shallow shafts (Tularcito area). Four due diligence grab samples returned gold values of 0.03, 3.4, 3.5 and 6.03 g/T and



the regional sampling gave values as high as 12.65 g/T, defining five areas of gold/silver mineralization (Areas A to E) associated with alteration (sericite and quartz veining) with associated pyrite and hematite, trending in a northwest-southeast direction. The host units are quartz sericite to biotite/muscovite schists which are heavily oxidized. The Company also completed 28 air trac drill holes totalling 572 metres with 15 holes in Area B and 13 holes in Area C.

Area B, the main area of the artisanal workings, covers an area of 155 by 180 metres. Air trac drilling returned values as high as 1.45 g/T gold and 6.74 g/T silver over 14 metres including 4.19 g/T gold over 4 metres. Other values varied from insignificant to 0.42 g/T gold and 14.56 g/T silver over 10 metres. Eight of the holes returned values of 0.1 to 0.4 g/T gold and 1 to 4 g/T silver over widths varying from 4 to 22 metres.

Air trac drilling on Area C which covered an area of 115 by 200 metres, also gave significant values including 0.44 g/T gold and 0.48 g/T silver over 10 metres, and 0.21 g/T gold and 0.53 g/T silver over widths varying from 6 to 26 metres.

Area A which covers an area of 80 by 300 metres, in the northern part of the Property, consists of quartz veinlets carrying minor malachite and azurite. The north copper vein along the contact of a mafic dyke, gave a value of 2.2 g/T gold and 493 g/T silver and 3.73 percent copper from one grab sample.

Area D which covers an area of 100 by 270 metres and Area E which covers 140 by 200 metres, located in the southern part of the Cumeral Property, also show good potential.

6. Proposed Program

While there has been no systematic modern exploration of the Cumeral Property along strike or to depth, exploration has defined five mineralized zones. Areas B, C and D trend in a northwest-southeast direction on the eastern side of the Property and correlate with each other. Areas A and E appear to be a parallel system, located further to the west which extend to the northwest along strike. All of these zones areas carry gold/silver mineralization with the potential for significant deposits in the 500,000 to 1 million ounce size, like others already discovered in the area (ie La Herradura, San Francisco).

VVC anticipates carrying out some diamond drilling on the Cumeral Property.

La Tuna Property

Last year, VVC Mexico acquired a 100% interest in a 3,533-hectare gold prospective Property known as La Tuna and located in the Municipality of Alamos, State of Sinaloa, at the junction of The Rio Fuerte and The Rio Baboyahui for US$40,000 plus applicable taxes and 300,000 shares of the Company, subject to a 2% NSR Royalty (the "NSR'') with a buy-back option.

The La Tuna Property has gold potential in paleo placers, present day placers derived from the paleo placers and vein type deposits such as the La Perdida deposit. The river placer deposit and the paleo-placer zone are located mainly along the Rio Baboyahui near the river junction extending to the Rio Fuerte, over an area of approximately 500 by 500 meters. The paleo-placer zone carries gold associated with magnetite (from black sand) which may allow definition of the paleo channels by magnetic surveys. Limited historical sampling in the period from 1987-91 by an Australian company, in a "drift" in a paleo placer channel gave grades ranging from 1 to 3 g/m³ Au. Historical data (non 43-101 compliant), from 1994 from a Mexican engineer, Alberto J. Terrones Langone, indicated that the area deposit however since it is a hard rock deposit it should be sampled using channel, chip or drill core samples, not bulk samples in cubic metres, which has little relevance in a hard rock deposit.

The La Perdida vein deposit, which averages 2.75 m in width, is located in the north-west part of the property with the structure hosting the deposit, trending north-west and dipping 25 degrees to the south-east. The deposit has not operated since the 1940's however historical results from 4 grab samples taken in 1991 by an Australian company, are: portal area - 12.49 g/t; ore zone- 3.29 and 16.23 g/t; and development muck - 11 .24 g/t.

No work has been carried out by WC since acquiring this property and the results described above are not 43-101 compliant, have not been subject to due diligence sampling and should be treated with caution. The Company anticipates carrying out an evaluation of the property consisting of data compilation and sampling of all gold zones over the ensuing year. Results will be reported as they are received.

Canada

Timmins Township Property - Ontario

The Timmins Township Property is a single, nine-unit, unpatented claim, located in the centre of Timmins Township about 48 km (30 mi) east-southeast of the City of Timmins. It was staked by the Company as it was deemed to be a prime target for base metal exploration. Access is provided via the Gibson Lake Road and tertiary bush roads approximately 35 km (22 mi) south from the junction of the Gibson Lake Road and Highway 101. The Property covers a northwest trending zone of strong airborne electromagnetic responses within a complex magnetic system. An initial program comprising line cutting and detailed geophysical surveys was carried out in the Spring of 2008. The surveys were evaluated by a qualified geophysicist who concluded that the results of the survey are encouraging and drilling targets have been identified. A property visit was carried out by geologists Mel Rennick (QP) and Michel Lafrance in August 2008. At the present time, given the emphasis on gold and silver projects in Mexico, follow-up work is being deferred.

Beauce-Bellechasse (BB) Gold Property - Quebec

Last year, the Company acquired a 100% interest in a property known as the Beauce-Bellechasse (the "BB Gold Property") which consists of 250 mining claims covering 13,500 hectares (135 km²), in the Beauce area of Quebec, 70 km southeast of Quebec City. WC paid CA$45,000 and issued 800,000 common shares to the vendor and is committed to incur at least CA$500,000 of exploration and development expenses by March 2013. The vendor retains a 2% net smelter return royalty (NSR) on the claims with a buy-back clause, whereby WC can purchase 1% for CA$1,000,000 at any time.

The Beauce Area, and the Eastern Townships in general, situated in the southern Quebec Appalachian Belt, have a century long history of mining and is known for its chromite and copper deposits and gold placers. The region was the site of Canada's first placer gold rush in the 1850's, decades before the Klondike rush. Despite the fact that gold occurrences have been discovered in volcanic, intrusive and sedimentary rocks in the area, no major bedrock source has been discovered to account for the significant placer gold of the area.

The BB Gold Property and surrounding area was explored for base and precious metals by a number of individuals and companies since the beginning of the 20th century up until the 1960's. The exploration work has included prospecting, grab sampling, trenching and limited diamond drilling plus some small scale artisanal mining. The Property hosts a number of showings and mineral occurrences with values of up to 12 g/t gold (GM 44648- Ministry of Natural Resources of Quebec) with several past producing gold placers also located in the vicinity. On February 8th, 2010, Fancamp Exploration Ltd., announced two wide drill hole intersections grading 0.46 grams per tonne over 29 metres (hole RD-09-02) and 0.57 g/t over 23.3 metres (hole RD-09-07). These results confirm that two target types are present in the Beauce area, ie :small, high grade, lode deposits and large tonnage, lower grade gold deposits related to regional scale silicificationImineralization, in the strongly deformed siltstones, shales and tuffaceous rocks characteristic of this part of the Appalachians.

The BB Gold Property was acquired in March 2009 during a staking rush in the BeauceIThetford Mines areas due to the rumours of gold discoveries in sedimentary units in the area. Bowmore Exploration Ltd.(Osisko); Niogold Mining Inc., Golden Hope Mines Ltd., Midland Exploration Inc., Nevado Venture Capital Corp, Diamond Discoveries International Corp and others have staked significant parts of the area over the last few months. It is apparent that companies realize that this area, the site of significant placer deposits, has been under-explored for gold over the years. Despite the fact that gold showings associated with quartz veins with sulphides, hosted by volcanic, intrusive and sedimentary units have been discovered in the area, the showings do not appear to explain the placer gold that has been located in the area. The discoveries in 2010 may indicate that sedimentary units intercalated with felsic intrusive and volcanic rocks are the source of the placer gold mineralization.

The Company is considering selling or optioning its interest in this property to a third party.

This Management's Discussion and Analysis ("MD&A") of the Company for the year ended January 31, 2011 (the "Period") was prepared on the 30th of May 2011 and should be read in conjunction with the Company's January 31, 2011 audited consolidated financial statements and related notes.

All amounts herein are expressed in Canadian dollars unless otherwise indicated. The technical information in the MD&A has been approved by Peter Dimmell, P.Geo. a mineral exploration consultant and a director of VVC, who is a qualified person (QP) in both Newfoundland and Labrador and Ontario.

Forward Looking Information

This MD&A includes forward-looking statements that are subject to risks and uncertainties and other factors that may cause the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, which among other things, affect the price of metals, the foreign exchange rate, the ability of the Company to implement its business strategy, and changes in, or the failure to comply with government laws, regulations and guidelines. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information relating to the Company can be obtained from its News Releases and other public documents at the SEDAR website <www.sedar.com>.

Business Overview

The Company is a venture issuer reporting in Ontario, British Columbia, Alberta and Quebec. The Company's common shares trade on the TSX Venture Exchange under the symbol "VVC" and on the Frankfurt Stock Exchange and the Berlin Stock Exchange under the symbol "V7S".

Historically, the Company has been in the business of acquisition and exploration of resource properties in the mineral sector. The Company's principal business activity is the exploration and development of gold and base metal mineral properties both nationally and internationally.

Mexico

a) Cumeral Property

In April 2010, VVC Exploración de México, S. de R.L. de C.V.("VVC Mexico") finalized a formal option agreement with 2 Mexican individuals (the "Optionee") relating to a 665-hectare (ha) gold mining project known as Cumeral (the "Cumeral Property") consisting of 3 mining concessions, in the State of Sonora, Mexico. VVC Mexico, through an intermediary, acquired from the Ministry of Mines, 3 additional concessions covering 5,984 ha, for a total property size of 6,649 ha. The recently staked concessions are 100% owned by VVC and are not subject to the Option Agreement. The Cumeral Property is located approximately 140 kilometres south of the city of Tucson, Arizona and 200 kilometres north of the City of Hermosillo. A network of gravel roads and paved highways provide excellent year round access.

The Agreement provides an option to acquire a 100% interest in the Cumeral Property in consideration for 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. A finder's fee of US$5,000 and 130,000 shares of the Company were paid to 3rd parties who were instrumental in arranging the transaction.

Located in the under-explored Sierra Madre Occidental along the well mineralized "Sierra La Jojoba" trend, the Cumeral Property is located approximately 15 km northeast of the Mina Lluvia de Oro and Mina La Jojoba deposits which host over 26 million tonnes of measured, indicated and inferred resources grading 0.525 to 0.741 g/T gold (over 500,000 ounces of gold). This area of Sonora is host to numerous other gold deposits and mines, including Fresnillo PLC's & Newmont Mining Company's La Herradura Gold Mine which in 2009 produced over 255,000 ounces of gold and has proven and probable reserves of 193 million tonnes grading 0.65 g/T gold (4.1 million ounces). Other examples in the area, include the San Francisco deposit (780,000 ounces of gold reserves) and the La Colorada deposit (605,000 ounces of measured and indicated gold resources).

Sonora has benefited from a recent increase in exploration for Carlin-style mineralization. This mineralization typically occurs as shallow systems where lower grade gold in oxidized zones occurs in sedimentary rocks to depths of 150 to 200 metres. Higher grade, sulphide-gold mineralization commonly occurs at depths typically below 300 metres. Gold exploration in Sonora is still defining the shallower systems and has yet to fully explore the mineralized potential at depth.

The Company believes that the potential of the Cumeral Property has yet to be fully explored, both near surface and at depth. Mineralization in the Cumeral Property can be traced along strike for 3 km over widths of up to 1 km. Five mineralized targets (A to E) have been defined by past and current exploration and artisanal mining. Grab sample grades of up to 39.5 g/T gold have been noted.

In 2010, exploration consisted of geological mapping, prospecting and rock chip sampling which defined five mineralized areas, followed by an air trac drilling program which tested two of the mineralized zones. Eighty-nine (89) rock samples outlined the five mineralized areas (A to E) and gave results up to 12.65 g/T Au and up to 493 g/T Ag (news releases dated July 22, 2010 and September 27, 2010). The air trac drilling program in July tested zones B and C in the central portion of the property. In Area B, the main zone, where most of the artisanal workings – pits, short adits and shallow shafts are located, 15 holes (1 to 15) gave a number of anomalous intersections including a high value of 1.45 g/T Au and 6.74 g/T Ag over 14 m, including 4.19 g/T over 4 m, in CUM01-10 with other values varying from insignificant to 0.42 g/T Au and 14.56 g/T Ag over 10 m in CUM13-10. Eight of the 15 holes gave significant intersections between 0.1 g/T and 0.4 g/T Au with 1 to 4 g/T Ag over widths varying from 4 to 22 m.

In Area C, in the central part of the Property, the air trac drilling, 13 holes (16-28), gave 4 significant intersections in holes 14,18, 23 and 24 with a high value of 0.44 g/t Au, 0.48 g/t Ag over 10 m in hole CUM18-10. Other significant intersections had values of 0.21 g/t Au and 0.53 g/T Ag over widths varying from 6 to 26 m.

VVC is planning to systematically explore and drill test Areas A, B, C, D and E, which it believes could host significant deposits in the 500,000 to 1 million ounce range. Continued prospecting is also planned in the on strike extensions of the mineralized zones. Exploration to date has been concentrated in the area previously explored by Corex and prospecting is planned for the unexplored part of the property, including the adjoining concession along trend to the northwest of the Property.

b) La Tuna Property

In March 2010, the Company completed the acquisition of a 3,533-hectare gold project known as La Tuna (the "Property") located in the Municipality of Alamos, State of Sinaloa, Mexico, at the junction of the Rio Fuerte and Rio Baboyahui rivers.

Pursuant to the agreement, VVC's Mexican subsidiary acquired from the Vendor a 100% interest in the Property in consideration of US$40,000 plus applicable taxes and 300,000 common shares of the Company. The Property is subject to the reservation of a 2% NSR Royalty (the "NSR") derived from the production of minerals on the Property, with a buy-back option.

The Property has gold potential in paleo placers, present day placers derived from the paleo placers and vein type deposits such as the La Perdida deposit. The river placer deposit and the paleo-placer zones are located mainly along the Rio Baboyahui near the river junction extending to the Rio Fuerte, an area of approximately 500 by 500 meters. The paleo-placer zone carries gold associated with magnetite (from black sand) which may allow definition of the paleo-channels by magnetic surveys. Limited historical sampling in the period from 1987-91 in a "drift" in the paleo-placer mineralization gave a grade of 1 to 3 g/m^3 Au in one of these paleo channels. Historical data (non 43-101 compliant) from 1994 indicates that the area contains 3.7 million m^3 at 2 g/m^3, equivalent to approximately 200,000 ounces of gold. It should be noted that the "paleo placer" was sampled as a placer deposit and since it is a hard rock deposit it should be sampled by weight using channel, chip or core samples not bulk samples of cubic metres, which has little relevance in a hard rock deposit. Accordingly, the results noted above should be treated with caution.

The Perdida deposit is located in the north-west part of the Property. The structure which hosts the deposit, trends north-west and dips 25 degrees to the south-east. Historical results from 4 grab samples taken in 1991 gave values from 3.29 g/t to 16.23 g/t Au, with three of the samples grading more than 10 g/t Au. The samples were taken from the portal (12.49 g/t), from the ore zone within the deposit (3.29 and 16.23 g/t) and from development muck (11.24 g/t).

<u>Canada</u>

c) BB Gold Property (Quebec).

On March 9, 2010, the Company signed a Letter of Intent ("LOI") to acquire a 100% interest in the Beauce-Bellechasse Gold Property ("BB Gold Property") consisting of 250 mining claims covering over 13,500 hectares. The property is located 70 km southeast of Quebec City. Under the terms of the LOI, the Company can earn a 100% interest in the claims by paying $45,000 (paid) and issuing 800,000 (issued) common shares to the vendor on the signing of the definitive option agreement and incurring at least $500,000 of exploration and development expenses within three years.

The Beauce Area, and the Eastern Townships in general, situated in the southern Quebec Appalachian Belt, have a century long history of mining and is known for its chromite and copper deposits and gold placers. The region was the site of Canada's first placer gold rush in the 1850's, decades before the Klondike rush. Despite the fact that gold occurrences have been discovered in volcanic, intrusive and sedimentary rocks in the area, no major bedrock source has been discovered to account for the significant placer gold of the area.

The BB Gold Property and surrounding area was explored for base and precious metals by a number of individuals and companies since the beginning of the 20th century up until the 1960's. The exploration included prospecting, grab sampling, trenching and limited diamond drilling plus some small scale artisanal mining.

Due to the lack of developments in the area and the Company's emphasis in Mexico, the Company intends to sell or option its interest in the BB Property. The Company did not carry out exploration on the BB Property, as a result, the BB property was written off during the year. The Company is currently exploring the possibly of selling these claims to a third party in order to focus its efforts on the Mexican properties. Although the Company wrote off these claims, it still has title to them.

d) Timmins Area Properties (Ontario)

In fiscal 2007, the Company entered into property option agreements to acquire 100% interest in a number of exploration properties in the Timmins area (covering an aggregate of 82 claim units), located about 80km east southeast of Timmins, in the Abitibi Greenstone Belt of Northern Ontario. The agreements provided for the issuance of an aggregate of 600,000 common shares of the Company which were issued on October 19, 2007 at a value of $144,000.

During fiscal 2008, the Company staked an additional area covering an aggregate 25 claim units in Blackstock and Timmins townships of Ontario area, located about 50 km southeast of Timmins, in the Abitibi Greenstone Belt of Northern Ontario. The Timmins Township Property, a nine-unit claim, located in the centre of Timmins Township about 48 kilometres (30 miles) east-southeast of the City of Timmins is deemed to be a prime base metals exploration target. The Property covers a northwest trending zone of strong airborne electromagnetic responses within a complex magnetic system. An initial program comprising line cutting and detailed geophysical surveys including magnetic, VLF and HLEM electromagnetic surveys were completed with 2 potential drill targets identified. The Blackstock claims were allowed to expire.

The encouraging results of these surveys previously carried out on the Timmins Township property justify further exploration, however no further work was carried out. Currently, the Company is focussed on more economically viable opportunities in Mexico.

Due to the lack of continuous work on the Timmins Township Property, it was written off during the year, although the Company still has title to the nine-unit claim. The Company is currently exploring the possibly of selling these claims to a third party in order to focus its efforts on the Mexican properties,

Selected Annual Information

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements for past 3 years (CAD$).

	2009	2010	2011
Revenue	$ -	$ -	$ -
Net loss for the year	(818,878)	(2,716,253)	(3,604,667)
Total assets	5,105,485	3,804,122	902,029
Mineral exploration properties written off	99,367	12,418	2,169,348
Stock-based compensation	169,839	196,915	120,121

Results of Operations

Operating loss for the year was $3,604,667 (2010 - $2,716,253). The current year's loss included a sizable write off of mineral properties of $2,169,348 (2010 - $12,418). The Company wrote off the following exploration properties; Santa Valeria Silver Mining Property, Mexico, Santa Cristina Gold Property, Mexico, Timmins area properties (Ontario) and Beauce-Bellechase Gold Property, Quebec. These properties were written off either because the option agreements expired, or because no exploration work was done on them over an extended period of time. Although written off, the Company continues to hold the mining rights to the Timmins area properties and the Beauce-Bellechase Gold Property. The Company is attempting to sell or option these properties to third parties.

The option agreements on the Mexican properties mentioned above expired during the year because the Company was directing its use of cash on the Cumeral Property and La Tuna Property. These properties are deemed to have more opportunities for successful exploration.

In addition to the write off of mineral properties, the Company wrote down a short-term investment to nil. The write off was $675,000 (2010 – nil). In 2007, the Company invested $1,800,000 with Bull Market Trading ("BMT"), a company carrying on business as an investment firm in the Province of Quebec. The Company received investment returns in excess of $585,000 over a four year period. The Company withdrew $1,125,000 of its principal along with the $585,000 of investment returns for working capital purposes. Total withdrawal from the investment account amounted to $1,710,000, During the year, the Company was advised that BMT no longer qualified to operate as an investment firm and as a result $675,000 of principal was at risk. The Company sought actions to mitigate the possible loss and was provided a debenture in the amount of $675,000 plus interest. Collectability of the debenture is uncertain. The Company therefore wrote down the $675,000 principal balance to nil.

Professional fees increased by $55,000 over 2010. The increase was due to an unsustainable reduction of professional fees in 2010. The amount was reduced from the prior year in an attempt to manage the Company's cash flow and burn rate. The attempt was unsuccessful and the expense was normalized in 2011.

All other expenses were comparable to those of 2010. During the year, the Company had $nil in expense recovery versus 2010 where the Company had $64,499 of expense recovery. The Company has controlled its expenses for the last 2 years which has allowed it to budget carefully and focus its resources on its exploration activities in Canada and Mexico.

Summary of Quarterly Results

Set forth below is a summary of the financial data derived from the Company's consolidated financial statements of the 8 most recently completed quarters.

	Jan 31,/11	Oct 31,/10	Jul 31,/10	Apr 30,/10	Jan 31,/10	Oct 31,/09	Jul 31,/09	Apr 30,/09
Operating Costs	323,518	180,218	236,982	232,283	446,859	262,340	236,978	263,670
Interest and investment Income	-	-	-	-	36,036	65,431	53,503	32,290
Mineral exploration properties written off	2,169,348	-	-	-	12,418	-	-	-
Loss from joint venture	-	-	-	-	-	-	(64,499)	-
Write-down of investment	675,000	-	-	-	-	-	-	-
Unrealized gain on investments	-	-	-	-	-	-	-	-
Gain (loss) on sale of investments	144,418	21,704	26,712	25,280	27,190	(1,803,014)	-	-
Net (loss)	(3,020,725)	(158,483)	(209,800)	(215,659)	(365,974)	(1,999,923)	(118,976)	(231,380)

Explanation of Quarterly Results

During the fourth quarter, the Company recorded a loss of $3,020,725 (2010 - $365,974). The loss recorded in the fourth quarter was directly related to two significant events in that quarter, namely, the write down of various mineral exploration properties and the write down of a short-term investment. The explanation of both events is provided in the Results of Operations above.

All other expenses were normalized in the fourth quarter. The Company lost access to an estimated $45,000 of investment income in the quarter due to the write down of the short-term investments.

Material Events Over the Eight Most Recent Quarters

Over the last eight quarters, the Company experienced a number of extraordinary losses that resulted in the Company's losses being magnified. These extraordinary items included the loss on the sale of the Company's investment in the Beaver Brook Antimony Mine in Q3 of 2010. In addition to this investment loss in Q3 2010, the Company experienced another investment loss in Q4 2011 relating to the write down of its investments.

In an effort to focus its energy on high yielding exploration projects, the Company wrote off a large number of its exploration properties in Q4 2011. The Company is now in a position to dedicate its financial and operation resources to the Cumeral and La Tuna properties in Mexico.

Liquidity and Solvency

As at January 31, 2011, the Company had a working capital balance of $136,809 compared to a working capital balance of $2,147,902 at January 31, 2010. A number of events took place during the year that contributed to the substantial drop in working capital. During the year, the Company spent $778,422 cash on mineral exploration, a portion of which was written off. In addition to the cash expense relating to the mineral properties, the Company incurred a loss on investment of $675,000 in short-term investments which also contributed to the substantial reduction in working capital.

At January 31, 2011, the Company had current assets of $353,525 (2010 - $2,280,664). This amount is not sufficient to cover the Company's operating expenses and exploration commitments. The Company will need to obtain additional financing to continue its exploration projects along with covering its operating expenses. To obtain financing, the Company may need to issue common shares. Although the Company has been successful in the past in raising funds, there can be no assurance that any funding required by the Company in the future will be made available to it and, if such funding is available, that it will be offered on reasonable terms.

Subsequent to the year end, the Company was able to source financing at reasonable terms to the Company. On April 11, 2011, the Company closed a brokered private placement of 11,000,000 units at a price of $0.07 per unit amounting for gross proceeds of $770,000. Each unit comprises one common share and one share-purchase warrant to purchase an additional share at $0.12 until April 11th, 2012. Palos Merchant Bank L.P. ("Palos"), through its sole general partner, Palos Management Inc., of Montreal, Quebec, acted as agent and received a fee of $47,950 plus applicable taxes, of which $9,450 was paid in cash and the balance settled by the issuance of an additional 550,000 common shares of the Company.

The Company has exploration property commitments of $225,000 for fiscal 2012, mainly for option payments. In addition to these commitments, the Company has annual operating expenses of approximately $840,000. Although the Company raised funds subsequent to the year end, these existing funds are not sufficient to finance operations for fiscal 2012 and the Company is investigating opportunities to obtain additional financing, which includes the exercise of warrants from the last financing and raising additional capital later in 2011. Positive exploration results, as documented earlier on the Cumeral and La Tuna properties, indicate that the Company should be in a good position to raise these funds.

Off-Balance Sheet Arrangements

There are no Off-Balance Sheet arrangements.

Related Party Transactions

During fiscal 2011, the Company paid or accrued management, consulting and other fees of $287,134 (2010 - $248,000) to its officers, directors, persons related to an officer and companies controlled by them. As at January 31, 2011, $73,570 (2010 - $6,000) owing to related parties was included in accounts payable and accrued liabilities.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

Future Accounting Pronouncements

International Financial Reporting Standards:

The accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises is scheduled to change to International Financial Reporting Standards ("IFRS") by January 1, 2011. GAAP in Canada will cease to apply and will be replaced by IFRS. Commencing in fiscal 2011, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011.

Outstanding Share Data

a) Outstanding Common Shares

	Number of shares	Amount
Balance, January 31, 2010	47,942,390	$ 21,237,758
Shares issued for mineral properties	2,330,000	421,400
Balance, January 31, 2011	50,272,390	$ 21,659,158
Private placement, April 11, 2011	11,000,000	770,000
Shares issued relating to private placement	550,000	38,500
Cash paid for share issue costs		9,450
Balance, May 30, 2011	61,822,390	$ 22,474,108

b) Warrants and Stock Options

The continuity of the outstanding share purchase warrants is as follows:

Expiry Date	Exercise Price	Balance January 31, 2010	Warrants Issued	Warrants Exercised	Expired/ Cancelled	Balance January 31and May 30, 2011
February 27, 2012	$ 0.50	1,440,000	-	-	-	1,440,000
October 9, 2011	$ 0.42	2,857,500	-	-	-	2,857,500
		4,297,500	-	-	-	4,297,500

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at January 31, 2011 are as follows:

Options Outstanding				Options Exercisable	
Exercise Prices	Weighted Average Number Outstanding	Exercise Price	Weighted Average Remaining Contractual Life (years)	Weighted Average Number Exercisable	Exercise Price
$ 0.28	575,000	$ 0.28	3.53	425,000	$ 0.28
$ 0.29	1,511,000	$ 0.29	2.02	1,511,000	$ 0.29
$ 0.30	1,861,000	$ 0.30	2.24	1,689,500	$ 0.30
$ 0.36	310,000	$ 0.36	3.45	310,000	$ 0.36
$ 0.50	250,000	$ 0.50	0.29	250,000	$ 0.50
	4,507,000	$ 0.31	2.30	4,185,500	$ 0.31

Commitments and Contingencies

The Company has an operating lease agreement for rental of office space for the period to September 30, 2011 that requires annual payments of $16,114.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term and long-term investments, accounts receivable, 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.

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 fund raising to support its exploration programs. Management prepares budgets and ensures funds are available prior to commencement of any such program. The Company does not have sufficient capital to fund its operations over the next 12 months, however, financing was secured subsequent to the year end and arrangements are being made to obtain further financing in the upcoming fiscal year. All of the Company's significant financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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.

a) Interest rate risk

Excess cash and cash equivalents are invested on a daily basis in highly liquid and highly rated financial instruments. Due to the nature of these investments, fluctuations in interest rates may affect the carrying value of these investments. However, due to the nature of the Company's investments, such changes in interest rate would have limited impact on the Company over the short term.

b) 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.

c) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollar and Mexico Pesos. The Company funds exploration expenses in Mexico. The Company maintains Mexican bank accounts in Mexico with sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk.

Sensitivity Analysis

The Company's short-term investments consist mainly of equity investments in various publicly listed entities. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) A +/- 10% movement in the closing market value of the Company's short-term investments, with all other variables held constant, would affect comprehensive income by $15,900.

(ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in Mexico Pesos. Sensitivity of closing balances to a plus or minus 10% change in foreign exchange rates, with other variables held constant, would affect net loss by approximately $13,500.

Due to their short term to maturity, the fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values.

Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of gold, antimony and other metals.

Other MD&A Requirements

Risks

The Company's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the

Company's common shares should be considered speculative.

The recoverability of amounts shown as mining interests and property, plant and equipment is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying assets, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

Future Changes in Accounting Policies

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles in 2011 for Canadian publicly-listed companies. The Company will be required to report its results in accordance with IFRS beginning in fiscal year 2012. The adoption of IFRS on February 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011.

The Company completed an initial assessment of the differences between Canadian GAAP and IFRS relevant to the operations of the Company. The initial assessment identified that changes were required to accounting policies, accounting systems and internal controls over financial reporting mainly related to the capitalization of deferred exploration expenses and to the test for impairment of exploration properties. Other issues identified are the first time adoption of IFRS and accounting policies related to property, plant and equipment, share-based payment, provisions (including asset retirement obligations), accounting for business combinations and accounting for income taxes.

During the fourth quarter of 2011, the Company established a comprehensive IFRS transition plan to implement its transition to IFRS. Management has completed a detailed evaluation of potential changes required to its accounting policies, information systems, business processes as well as an evaluation of the impact on IFRS1 First Time Adoption of International Financial Reporting Standards.

The Company is currently in the process of making final determinations regarding changes in accounting policies with respect to first time adoption alternatives as well as assessing the accounting policy change implications on information technology, internal controls and contractual arrangements. Management and employee education and training are also ongoing and will continue throughout the transition process. The Company has quantified most of the impacts of the accounting policy changes as discussed below:

a) Expected Effects of IFRS on the Company

Management believes that the impact of IFRS on the Company's accounting systems and business process will be minimal, and that the current systems and processes in place can accommodate the necessary changes. Management and employees involved in the preparation of financial statements are being trained as necessary, as are other employees who may be affected by changes in business processes relating to IFRS. As of the date hereof, management is not aware of any contractual arrangements that may be affected by potential changes to significant accounting policies.

b) First-time Adoption of IFRS

IFRS 1 "First-time Adoption of International Financial Reporting Standards" requires the Company to prepare an opening IFRS statement of financial position, which complies with all IFRS's effective at the end of its first IFRS reporting period. IFRS 1 requires retrospective application of those standards in most areas, with limited exceptions. The Company plans to apply the following exemptions to the preparation of its opening IFRS statement as at February 1, 2010:

Business combinations:

IFRS 3, Business Combinations may be applied retrospectively or prospectively with respect to business combinations completed prior to April 1, 2010. The Company will elect to adopt CICA Handbook section 1582 Business Combinations (converged with IFRS 3) prospectively with respect to business combinations consummated on or after February 1, 2010.

Property, plant & equipment:

IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company will elect to use the historical cost carrying values as determined under Canadian GAAP for transitional purposes

Share-based payments:

IFRS 1 encourages but does not require first-time adopters to apply IFRS 2, Share-based Payment, to equity instruments that were granted on or before November 7, 2002 and vested before the transition date. The Company has elected not to apply IFRS 2 to awards that vested prior to February 1, 2010.

The Company may decide to apply additional exemptions contained in IFRS 1 prior to reporting its interim financial statements for the quarter ended April 30, 2011.

c) Mandatory Exceptions

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

d) Expected Impact on the Company's Consolidated Financial Statements

The adoption of IFRS will result in changes to accounting policies that are applied in the recognition, measurement and disclosure of the balances and transactions in the Company's consolidated financial statements. The following summary includes management's evaluation of the significant changes to accounting policies in key areas based on the current standards and guidance within IFRS. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At this time, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below:

- IAS 36 "Impairment of Assets" – IFRS requires a write-down of assets if the higher of the fair market value and the value-in-use of a group of assets is less than its carrying value. Value-in-use is determined using discounted estimated future cash flows. Under current Canadian GAAP a write down to estimated fair value is only required when the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies will be changed to reflect the differences between IFRS and Canadian GAAP, but the Company does not expect the change will have an immediate impact on the carrying value of its assets. The Company will perform the required impairment assessments at the transition date.
- IFRS 2 "Share-based Payments" – In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than Canadian GAAP. The Company expects to make changes to its policies and procedures as it relates to share-based payments. The impact of this change is still being quantified.
- IAS 16 "Property, Plant and Equipment" – IFRS contains different guidance related to recognition and measurement of property, plant and equipment than Canadian GAAP which includes the opportunity of a revaluation of assets to fair value. The Company will not make any changes to its accounting polices relating to IAS 16. There will be no impact to the Company.
- IAS 12 "Income Taxes" – In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The Company does not anticipate that changes to its accounting policies relating to IAS 12 will have a significant impact on its consolidated financial statements.
- Asset Retirement Obligations (Decommissioning Liabilities) – IFRS requires the recognition of a decommissioning liability for legal or constructive obligations whereas Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. The Company's accounting policies relating to decommissioning liabilities will be changed to reflect these differences. The Company does not expect the changes to have an immediate impact on the carrying value of its assets.
- IFRS 6 "Exploration for and Evaluation of Mineral Resources" – Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment costs related to the exploration for and evaluation of mineral properties. After a review of the IFRS 6 and the Company's current accounting policy, the Company expects to reduce its mineral properties by $436,000 and have a corresponding increase to deficit. The adjustment relates to pre-exploration expenses that were capitalized.

Outlook

The Company's primary focus is the exploration of its mineral properties in Mexico, with emphasis on the Cumeral Property, in Sonora State, where an Air trac drilling program has given positive results which require further follow up by drilling. In addition, additional unexplored, recently acquired properties to the northwest along trend also appear to hold good potential for gold / silver mineralization. The Company believes that further exploration is warranted and is optimistic that further positive results are likely.

The Company will also carry-out exploration on the 100 % owned La Tuna Property in Sinaloa State which shows good potential for gold / silver mineralization in a number of geological settings and in addition will be actively looking for new precious and base metal projects in Mexico to complement the existing properties.

MSCM LLP
Accountants & Advisors for a Complex World®

Independent Auditors' Report

To the Shareholders of
VVC Exploration Corporation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of VVC Exploration Corporation which comprise of the consolidated balance sheets as at January 31, 2011 and 2010 and the consolidated statements of loss, comprehensive loss and deficit, accumulated other comprehensive income and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

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

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes uncertainty upon VVC Exploration Corporation's ability to continue as a going concern.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of VVC Exploration Corporation as at January 31, 2011 and 2010 and the results of its operations and its cash flows for years then ended in accordance with Canadian generally accepted accounting principles.

MSCM LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
May 30, 2011

701 Evans Avenue, 8th Floor, Toronto ON M9C 1A3, Canada T (416) 626-6000 F (416) 626-8650 MSCM.CA

✦ Consolidated Balance Sheets

as at January 31,		**2011**		2010
Assets				
Current assets				
Cash and cash equivalents	**$**	**6,812**	$	1,845,308
Short-term investments (Note 4)		**158,900**		207,149
Accounts receivable		**187,813**		228,207
		353,525		2,280,664
Equipment (Note 5)		**11,708**		17,136
Mineral properties (Note 6)		**536,796**		1,400,751
Deferred property acquisition costs (Note 6)		**-**		105,571
	$	**902,029**	$	3,804,122
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 7)	**$**	**216,716**	$	132,762
Shareholders' equity				
Share capital (Note 8(b))		**21,659,158**		21,237,758
Contributed surplus (Note 8(c) and 8(d) and 9)		**4,944,625**		4,824,504
Accumulated other comprehensive income		**144,350**		67,251
Deficit		**(26,062,820)**		(22,458,153)
		685,313		3,671,360
	$	**902,029**	$	3,804,122

Going Concern (note 1)
Commitments (note 14)

Approved by the Board

Michel Lafrance

Michel Lafrance, Director

Patrick Fernet

Director

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

✦ Consolidated Statements of Loss, Comprehensive Loss and Deficit

for the years ended January 31,

	2011	2010
Expenses		
Management and consulting fees (Note 7)	**$ 239,123**	$ 186,000
Investor relations	**234,487**	235,350
Professional fees	**169,876**	114,155
Stock-based compensation (Note 8(c))	**120,121**	196,915
Office and sundry	**67,230**	72,390
Rent	**42,630**	38,795
Travel and promotion	**31,304**	84,140
Investment counselling fees	**28,500**	111,000
Listing and transfer fees	**18,556**	32,519
Telephone	**14,869**	15,796
Amortization	**5,428**	7,959
Bank charges	**877**	1,332
Fair value of extended warrants	**-**	84,960
Expense recovery	**-**	(64,499)
	973,001	1,116,812
Other income:		
Gain on sale of investments	**218,114**	187,260
Write-down of exploration costs (Note 6)	**(2,169,348)**	(12,418)
Write down of investments (Note 17)	**(675,000)**	-
Foreign exchange (loss) gain	**(5,432)**	1,541
Loss on sale of long-term investment	**-**	(1,775,824)
Net loss for the year	**$ (3,604,667)**	$ (2,716,253)
Basic and diluted loss per share (Note 11)	**$ (0.07)**	$ (0.06)

Consolidated Statements of Comprehensive Loss

Net loss for the year	**$ (3,604,667)**	$ (2,716,253)
Reclassification adjustment for investment sold in the year	**(35,601)**	(18,500)
Unrealized gain on short-term investments	**112,700**	5,947
Comprehensive loss for the year	**$ (3,527,568)**	$ (2,728,806)

Consolidated Statements of Deficit

Deficit, beginning of year	**$(22,458,153)**	$(19,741,900)
Net loss for the year	**(3,604,667)**	(2,716,253)
Deficit, end of year	**$(26,062,820)**	$(22,458,153)

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

✦ Consolidated Statements of Accumulated Other Comprehensive Income

for the years ended January 31,

		2011		2010
Opening balance	**$**	**67,251**	$	79,804
Reclassification adjustment for investment sold in the year		**(35,601)**		(18,500)
Unrealized gain on short-term investments		**112,700**		5,947
Accumulated other comprehensive income	**$**	**144,350**	$	67,251

for the years ended January 31,

	2011	2010
Cash flow from operating activities		
Loss for the period	**$ (3,604,667)**	$ (2,716,253)
Items not affecting cash:		
Amortization	**5,428**	7,959
Loss on sale of long-term investment	**-**	1,775,824
Stock-based compensation	**120,121**	196,915
Gain on sale of short-term investments	**(218,114)**	(187,260)
Fair value of extended warrants	**-**	84,960
Write-down of exploration costs	**2,169,348**	12,418
	(1,527,884)	(825,437)
Other uses of cash from operations:		
Accounts receivable	**40,394**	(168,743)
Accounts payable and accrued liabilities	**83,953**	17,246
	(1,403,537)	(976,934)
Cash flow from investing activities		
Purchase of short-term investments	**-**	(2,045,320)
Proceeds from the sale of short-term investments	**343,463**	2,248,241
Additions to mineral properties	**(778,422)**	(639,454)
Purchase of equipment	**-**	(15,330)
Deferred property acquisition costs	**-**	(105,572)
Proceeds from sale of long-term investment	**-**	1
Return of capital on long-term investment	**-**	445,790
	(434,959)	(111,644)
Cash flow from financing activities		
Common shares issued for cash	**-**	1,000,125
Share issue costs paid in cash	**-**	(100,000)
	-	900,125
Decrease in cash and cash equivalents	**(1,838,496)**	(188,453)
Cash and cash equivalents, beginning of year	**1,845,308**	2,033,761
Cash and cash equivalents, end of year	**$ 6,812**	$ 1,845,308
Cash and cash equivalents consist of:		
Cash	**$ 6,812**	$ 1,045,308
Highly liquid investments	**-**	800,000
	$ 6,812	$ 1,845,308

Supplemental cash flow information (Note 12)

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

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 consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes the realization of assets and settlement of liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent upon it obtaining the necessary financing through the issue of common shares and the exercise of warrants and stock options. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they come due (See note 18). Failure to continue as a going concern could require restatement of assets and liabilities on a liquidation basis, which would differ materially from the going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation
These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiary, VVC Mexico S.A., incorporated under the laws of Mexico during fiscal 2010. All intercompany transactions and balances have been eliminated upon consolidation.

Financial instruments
The Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as held for trading and are measured at fair value. Changes in fair value are recognized in the statement of operations in the period in which the arise. Accounts receivable are classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities, both of which are measured at amortized cost.

The Company's short-term investments consist of investments in publicly listed entities. The short-term investments are classified as available-for-sale and are measured at fair value. The fair value of the short-term investments is based on quoted bid prices. Unrealized gains and losses are recognized in the consolidated statement of comprehensive loss until the investments are derecognized or impaired, at which time the amounts would be recorded in the consolidated statement of operations.

Cash and cash equivalents
Cash and cash equivalents includes short-term and money market investments that are readily convertible to known amounts of cash and have an original maturity of less than or equal to 90 days.

Short-term investments
The Company classifies its short-term investments in public companies as available-for-sale which are reported at the fair market value based on bid prices. Unealized gains or losses are excluded from earnings and reported as other comprehensive income or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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
Long-lived assets held for use are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When the carrying value is not recoverable from future cash flows on an undiscounted basis and the carrying value exceeds the assets' fair value, an impairment loss is recorded for the excess of carrying value over fair value.

Stock-based compensation
The Company grants stock options in accordance with TSX Venture Exchange policies, as described in note 8(c). All stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable, with that expense being charged to the related activity over the vesting period. Fair value of the equity instruments issued is calculated using the Black-Scholes model for pricing options. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, consideration received and the accumulated contributed surplus amounts are credited to share capital.

Loss per share
The loss per share is calculated using the weighted-average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method whereby all options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

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 Company's consolidated subsidiary located in a foreign country is considered an integrated operation. Accordingly, the temporal method is used for the translation of the foreign subsidiary. All monetary assets and liabilities are translated into Canadian dollars at the year-end rate of exchange and non-monetary assets and liabilities are translated into Canadian dollars at their respective historical exchange rates. Any gains or losses are reflected in income. Revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing at the time of the transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, 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 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. FUTURE ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS for its fiscal year beginning February 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company’s consolidated financial statements.

The Company expects a smooth transition to IFRS for reporting in fiscal 2012.

4. SHORT-TERM INVESTMENTS

The following table presents a breakdown of the Company's short-term investments:

		2011		2010
Richmond Minerals Inc.	**$**	**-**	$	20,625
GFK Resources Inc.		**-**		24,890
Sulliden Exploration Inc.		**158,900**		161,634
Balance	**$**	**158,900**	$	207,149

5. EQUIPMENT

2011		**Cost**		**Accumulated Amortization**		**Net Book Value**
Computer equipment	**$**	**41,913**	**$**	**35,952**	**$**	**5,961**
Automobile		**12,929**		**7,182**		**5,747**
	$	**54,842**	**$**	**43,134**	**$**	**11,708**

2010		Cost		Amortization		Value
Computer equipment	$	41,913	$	33,396	$	8,517
Automobile		12,929		4,310		8,619
	$	54,842	$	37,706	$	17,136

6. MINERAL PROPERTIES AND DEFERRED PROPERTY ACQUISITION COSTS

	Balance January 31, 2010	Additions/ (Recoveries)	Write-downs/ Disposals	Balance January 31, 2011
Mineral properties:				
Santa Valeria, Santa Cristina, Cumeral and La Tuna mineral properties (Mexico):				
Administration	$ 92,991	$ 38,847	$ (89,915)	**$ 41,923**
Drilling and exploration	313,439	120,926	(365,099)	**69,266**
Consulting	91,519	13,477	(84,149)	**20,847**
Geologist	123,065	21,181	(122,737)	**21,509**
Camp and travel	122,199	8,266	(108,709)	**21,756**
Acquisition	374,252	762,971	(792,695)	**344,528**
Supervision	22,784	58,238	(80,522)	**500**
Assaying and analysis	23,850	14,108	(24,980)	**12,978**
General expenses	21,585	7,960	(27,113)	**2,432**
Claims	-	15,757	(14,702)	**1,055**
	1,185,684	1,061,731	(1,710,621)	**536,794**
Ontario and Quebec area properties (Canada):				
Acquisition costs	144,000	221,001	(364,999)	**2**
Claims and staking	11,699	-	(11,699)	-
Camp travel and general	895	1,561	(2,456)	-
Geological and geochemical consulting	51,563	-	(51,563)	-
Consulting	6,910	21,100	(28,010)	-
	215,067	243,662	(458,727)	**2**
Total development stage properties	$ 1,400,751	$ 1,305,393	$ (2,169,348)	**$ 536,796**

	Balance January 31, 2010	Additions	Transfers/ Write downs	Balance January 31, 2011
Deferred property acquisition costs *(Mexico):*				
Administration	$ 18,349	$ -	$ (18,349)	**$** -
Consulting	3,000	-	(3,000)	-
Geologist	2,270	-	(2,270)	-
Camp and travel	8,266	-	(8,266)	-
Acquisition	36,682	-	(36,682)	-
Supervision	-	-	-	-
Assaying and analysis	486	-	(486)	-
General expenses	36,518	-	(36,518)	-
Advance	-	-	-	-
	$ 105,571	$ -	$ (105,571)	**$** -

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

	Balance January 31, 2009	Additions/ (Recoveries)	Write-downs/ Disposals	Balance January 31, 2010
Mineral properties:				
Santa Valeria and Santa Cristina mineral properties (Mexico):				
Administration	$ -	$ 92,991	$ -	**$ 92,991**
Drilling	-	313,439	-	**313,439**
Consulting	-	91,519	-	**91,519**
Geologist	-	123,065	-	**123,065**
Camp and travel	-	122,199	-	**122,199**
Acquisition	-	374,252	-	**374,252**
Supervision	-	22,784	-	**22,784**
Assaying and analysis	-	23,850	-	**23,850**
General expenses	-	21,585	-	**21,585**
	-	1,185,684	-	**1,185,684**
Ontario and Quebec area properties (Canada):				
Acquisition costs	144,000	-	-	**144,000**
Claims and staking	11,699	-	-	**11,699**
Camp travel and general	895	-	-	**895**
Geological and geochemical consulting	51,563	-	-	**51,563**
Consulting	6,910	-	-	**6,910**
	215,067	-	-	**215,067**
Total development stage properties	$ 215,067	$ 1,185,684	$ -	**$ 1,400,751**

	Balance January 31, 2009	Additions	Transfers/ Write downs	Balance January 31, 2010
Deferred property acquisition costs *(Mexico):*				
Administration	$ 15,431	$ 18,349	$ (15,431)	**$ 18,349**
Consulting	66,200	3,000	(66,200)	**3,000**
Geologist	50,233	2,270	(50,233)	**2,270**
Camp and travel	8,370	8,266	(8,370)	**8,266**
Acquisition	71,512	36,682	(71,512)	**36,682**
Supervision	500	-	(500)	**-**
Assaying and analysis	838	486	(838)	**486**
General expenses	-	36,518	-	**36,518**
Advance	117,366	-	(117,366)	**-**
	$ 330,450	$ 105,571	$ (330,450)	**$ 105,571**

Mexico

Santa Valeria Silver Mining Property, Mexico

On March 11, 2009, the Company signed an Option Agreement to acquire a 100% interest in the Santa Valeria Silver Mining Property (the "SV Property") located in Mexico. The Company had the exclusive rights to explore and develop the SV Property over the next five years in consideration for the issuance of 550,000 common shares of the Company (issued) and total cash payments of 6,037,000 Mexican pesos (equivalent to CDN $495,034 at January 31, 2010), payable to the optionor.

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

Santa Cristina Gold Property, Mexico
On June 4, 2009, the Company optioned the 498.5 hectare Santa Cristina property (the " SC Property"), located in the foothills of the Sierra Madre gold trend, approximately 60 km to the south of Hidalgo del Parral, Chihuahua State, in northern Durango State, Mexico. Pursuant to the Option Agreement, the Company can acquire a 100% interest in the SC Property from Invesmin San Miguel S de RL de CV ("Invesmin") and had the exclusive rights to explore and develop the SC Property over the next five years in consideration for: (i) 1,150,000 shares of the Company (issued) and (ii) total option payments of 10,000,000 Mexican Pesos (currently equivalent to CA$820,000) payable to the optionor.

The Company allowed the option agreement to expire in fiscal 2011, as a result all associated costs were written down to nil.

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 finders 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. Payments to the optionor will be as follows:

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

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.

Timmins area properties (Ontario)
In fiscal 2007, the Company staked a nine-claim unit in Timmins Township, located about 80km east southeast of Timmins, in the Abitibi Greenstone Belt of Northern Ontario. The Company carried out a geophysical survey which identified some excellent drilling targets. During 2008, the Company changed its focus to concentrate on Mexico, and no additional work was carried out on these claims. The Company intends to either sell or option these claims to another party.

Due to the lack of continuous work on these nine units, they were written off during the year.

Beauce-Bellechase Gold Property, Quebec
On March 9, 2010, the Company signed a Letter of Intent ("LOI") to acquire a 100% interest in the Beauce-Bellechasse Gold Property (the "BB Property") consisting of 250 mining claims covering over 13,500 hectares. The BB property is located 70 km southeast of Quebec City. Under the terms of the LOI, the Company can earn a 100% interest in the BB Property by paying $45,000 (paid) and issuing 800,000 (issued) common shares to the vendor on the signing of the definitive option agreement and incurring at least $500,000 of exploration and development expenses within three years.

Due to the lack of developments in the area and the Company's emphasis in Mexico, the Company intends to sell or option its interest in the BB Property. The Company did not carry out exploration on the BB Property, as a result, the BB property was written off during the year.

7. RELATED PARTY TRANSACTIONS AND BALANCES

During fiscal 2011, the Company paid or accrued management, consulting and other fees of $287,134 (2010 - $248,000) to its officers, directors, persons related to an officer and companies controlled by them. As at January 31, 2011, $73,570 (2010 - $6,000) owing to related parties was included in accounts payable and accrued liabilities.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

8. SHARE CAPITAL

(a) Authorized
Unlimited common shares without par value

(b) Issued:

	Number of shares	Amount
Balance, January 31, 2009	44,284,890	$ 20,545,108
Shares issued for mineral property	800,000	164,000
Shares issued on private placement	2,857,500	1,000,125
Valuation of share purchase warrants	-	(371,475)
Share issue costs	-	(100,000)
Balance, January 31, 2010	47,942,390	21,237,758
Shares issued for mineral property	2,330,000	421,400
Balance, January 31, 2011	50,272,390	$ 21,659,158

On October 9, 2009, an investor subscribed for a private placement financing of 2,857,500 units at a price of $0.35 per unit for gross proceeds of $1,000,125. Each unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase common shares of the Company at a price of $0.42 per share. The common share purchase warrants expire on October 9, 2011. The fair value of the 2,857,500 warrants were valued using the Black-Scholes option pricing model with the following assumptions; dividend yield - 0%, volatility - 76.63%, risk-free interest rate - 1.7%, and expected life - 2 years. The fair value of the warrants was estimated at $371,475. The Company paid $100,000 in share issue costs related to this financing.

(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 have a 5 year life and vest as to 25% upon grant and 25% each six months thereafter.

A summary of the status of the Company's option plan as of January 31, 2011 and January 31, 2010 and changes during the years ending on those dates is presented as follows:

	Number of Stock Options		Weighted average Exercise Price	
	2011	2010	**2011**	2010
			$	
Opening Balance	**4,461,000**	4,161,000	**0.32**	0.36
Options granted	**200,000**	1,946,000	**0.28**	0.30
Options expired/cancelled	**(154,000)**	(1,646,000)	**0.50**	0.40
Ending Balance	**4,507,000**	4,461,000	**0.31**	0.32

8. SHARE CAPITAL (continued)

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at January 31, 2011 are as follows:

Options Outstanding				Options Exercisable	
Exercise Prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price
$ 0.28	575,000	$ 0.28	3.53	425,000	$ 0.28
$ 0.29	1,511,000	$ 0.29	2.02	1,511,000	$ 0.29
$ 0.30	1,861,000	$ 0.30	2.24	1,689,500	$ 0.30
$ 0.36	310,000	$ 0.36	3.45	310,000	$ 0.36
$ 0.50	250,000	$ 0.50	0.29	250,000	$ 0.50
	4,507,000	$ 0.31	2.30	4,185,500	$ 0.31

During the year, the Company granted 200,000 (2010 - 1,946,000) options, pursuant to the Company's stock option plan to directors, officers, employees and consultants. These options are exercisable at a weighted average price of $0.28 (2010 - $0.30) per share and vest as to 25% upon grant and 25% every six months thereafter.

The fair value of the 200,000 stock options granted in the year was estimated at $33,932 (2010 - $330,820), using the Black Scholes model for pricing stock options. The $33,932 (2010 - $330,820) is being expensed over the vesting period of the respective options. Stock option compensation expense of $120,121 (2010 - $196,915) during the year includes $19,356 (2010 - $19,158) relating to options granted during the year.

The following weighted average assumptions were used for the options granted:

	2011	2010
Risk free interest rate	2.09 %	1.95 - 2.21%
Dividend yield	NIL	NIL
Expected stock volatility	72.81 %	76.3 % - 84.84%
Expected life	5 years	5 years

(d) Warrants

The following tables reflect the continuity of warrants:

2011

Expiry Date	Exercise Price	Balance January 31, 2010	Warrants Issued	Warrants Exercised	Expired/ Cancelled	Balance January 31, 2011
February 27, 2012	$0.50	1,440,000	-	-	-	1,440,000
October 9, 2011	$0.42	2,857,500	-	-	-	2,857,500
		4,297,500	-	-	-	4,297,500

8. SHARE CAPITAL (continued)

2010

Expiry Date	Exercise Price	Balance January 31, 2009	Warrants Issued/ Re-issued	Warrants Exercised	Expired/ Cancelled	Balance January 31, 2010
February 26, 2009	$0.50	1,440,000	-	-	(1,440,000)	-
February 27, 2012	$0.50	-	1,440,000	-	-	1,440,000
October 9, 2011	$0.42	-	2,857,500	-	-	2,857,500
		1,440,000	4,297,500	-	(1,440,000)	4,297,500

On February 27, 2009, 1,440,000 warrants initially issued on February 26, 2008, expiring February 26, 2009 were extended to February 27, 2012. The extended warrants were revalued using the Black-Scholes option pricing model with the following assumptions; dividend yield - 0%, volatility - 75%, risk-free interest rate - 1.64%, and expected life - 3 years. The estimated fair value of $84,960 was charged to operations in the prior year.

9. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus:

	2011	2010
Balance, beginning of year	**$ 4,824,504**	$ 4,171,154
Fair value of warrants issued/extended	**-**	456,435
Fair value of stock options granted	**120,121**	210,455
Fair value of stock options cancelled/forfeited	**-**	(13,540)
Balance, end of year	**$ 4,944,625**	$ 4,824,504

10. INCOME TAXES

a) Provision for income taxes, current and future

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 30% (2010 - 31%) to the amount recognized in the statement of operations:

	2011	2010
Loss before provision for income taxes	**$ (3,604,667)**	$ (2,716,253)
Income tax recoverable based on statutory rates:	**(1,081,400)**	(842,038)
Increase (decrease) resulting from:		
Permanent differences	**379,706**	248,606
Tax rate changes and other adjustments	**322,476**	707,252
Expiry of non-capital losses	**147,373**	87,964
Share issue costs	**-**	(31,000)
Increase in valuation allowance	**231,845**	(170,784)
Income tax recovery	**$ -**	$ -

10. INCOME TAXES (continued)

b) Future income tax assets

The tax effects of temporary differences that give rise to significant components of future income tax assets are as follows:

	2011	2010
Future income tax assets:		
Non-capital losses	**$ 1,589,248**	$ 1,346,662
Mineral properties and exploration costs	**277,737**	198,616
Capital assets	**10,384**	9,027
Net capital losses	**131,368**	221,978
Other	**7,025**	7,633
Future income tax assets before valuation allowance	**2,015,762**	1,783,916
Valuation allowance	**(2,015,762)**	(1,783,916)
Net future income tax asset	**$ -**	$ -

c) Tax loss carry-forwards

At January 31, 2011, the Company had non-capital losses carried forward of approximately $6,357,000 which have not been recognized in these consolidated financial statements. The right to use these losses expires as follows:

2015	**$ 718,400**
2026	**859,300**
2027	**898,200**
2028	**670,600**
2029	**863,500**
2030	**979,000**
2031	**1,368,000**
	$ 6,357,000

11. LOSS PER SHARE

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

	2011	2010
Numerator:		
Loss for the year	**$ (3,604,667)**	$ (2,716,253)
Denominator:		
Weighted average number of common shares outstanding, basic and diluted	**49,120,526**	45,511,616
Loss per share - basic and diluted	**$ (0.07)**	$ (0.06)

As a result of losses incurred in the years ended January 31, 2011 and 2010, the potential effect of the exercise of stock options and warrants was anti dilutive.

12. SUPPLEMENTAL CASH FLOW INFORMATION

		2011		2010
Non-cash transactions:				
Shares issued for property purchase	**$**	**421,400**	$	168,000

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being mineral exploration. As at January 31, 2011, 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 during the years ended January 31, 2011 and 2010.

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

January 31, 2011		**Canada**		**Mexico**		**Total**
Current assets	**$**	**203,566**		**149,959**	**$**	**353,525**
Mineral properties		**115,412**		**421,384**		**536,796**
Equipment		**11,708**		**-**		**11,708**
	$	**330,686**	**$**	**571,343**	**$**	**902,029**

January 31, 2010		Canada		Mexico		Total
Current assets	$	2,170,340		110,324	$	2,280,664
Mineral properties		936,492		464,259		1,400,751
Deferred property acquisition costs		41,418		64,153		105,571
Equipment		17,136		-		17,136
	$	3,165,386	$	638,736	$	3,804,122

14. COMMITMENTS

The Company entered into an operating lease agreement for rental of office space for the period to September 30, 2011 that requires annual payments of $16,114.

15. 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.

Currently, the Company has no outstanding debt or covenants, and therefore has no externally or internally imposed capital requirements. 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's investments are all short-term in nature.

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.

16. 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.

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 January 31, 2011, the Company does not have sufficient capital to fund its operations over the next twelve months. A Public financing has been arranged and was successfully completed subsequent to the year end (note 18). As at January 31, 2011, the Company had a cash and cash equivalents balance of $6,812 (2010 - $1,845,308) to settle current liabilities of $216,715 (2010 - $132,762).

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.

a) Interest rate risk

Excess cash and cash equivalents are invested on a daily basis in highly liquid and highly rated financial instruments. Due to the nature of these investments, fluctuations in interest rates may affect the carrying value of these investments. However, due to the nature of the Company's investments, such changes in interest rate would have limited impact on the Company over the short term.

(b) 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's short-term investments consist mainly of equity investments in various publicly listed entities. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) A +/- 10% movement in the closing market value of the Company's short-term investments, with all other variables held constant, would affect comprehensive income by $15,900.

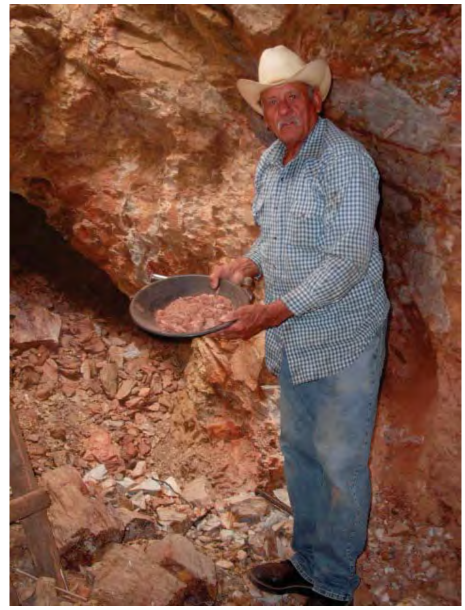
(ii) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable and accounts payable and accrued liabilities that are denominated in Mexican Pesos. Sensitivity of closing balances to a plus or minus 10% change in foreign exchange rates, with all other variables held constant, would affect net loss by approximately $13,500.

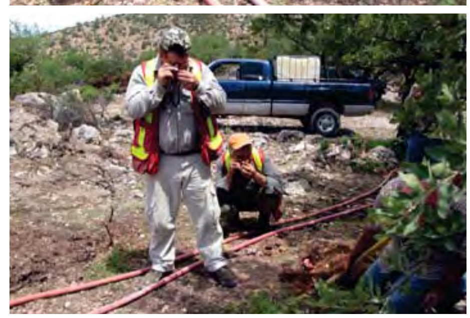
17. WRITE DOWN OF INVESTMENTS

In 2007, the Company invested $1,800,000 with Bull Market Trading ("BMT"), a company carrying on business as an investment firm in the Province of Quebec. The Company received investment returns in excess of $585,000 over a four year period. The Company withdrew $1,125,000 of its principal along with the $585,000 of investment returns for working capital purposes. Total withdrawal from the investment account amounted to $1,710,000. During the year, the Company was advised that BMT no longer qualified to operate as an investment firm and as a result $675,000 of principal was at risk. The Company sought actions to mitigate the possible loss and was provided a debenture in the amount of $675,000 plus interest. Collectability of the debenture is uncertain. The Company therefore wrote down the $675,000 principal balance to nil.

18. SUBSEQUENT EVENTS

On April 11, 2011, the company closed a brokered private placement of 11,000,000 units at a price of $0.07 per unit amounting for gross proceeds of $770,000. Each unit comprises one common share and one share-purchase warrant to purchase an additional share at $0.12 until April 11th, 2012. Palos Merchant Bank L.P. (“Palos”), through its sole general partner, Palos Management Inc., of Montreal, Quebec, acted as agent and received a fee of $47,950 plus applicable taxes, of which $9,450 was paid in cash and the balance settled by the issuance of an additional 550,000 common shares of the Company.





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