NOTICE TO SHAREHOLDERS

VVC EXPLORATION CORPORATION
Consolidated Financial Statements
For The Three Months Ended April 30, 2011

Responsibility for Consolidated Financial Statements

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

Auditor involvement

The auditors of VVC Exploration Corporation have not performed a review of the unaudited condensed consolidated financial statements for the three ended April 30, 2011 and April 30, 2010.

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VVC Exploration Corporation
Consolidated Statements of Financial Position

	April 30, 2011	January 31, 2011	February 1, 2010
Assets			
Current assets			
Cash and cash equivalents	**$ 382,879**	$ 6,812	$ 1,845,308
Short-term investments (Note 4)	**90,025**	158,900	207,149
Accounts receivable	**209,611**	187,813	228,207
	682,515	353,525	2,280,664
Equipment (Note 5)	**10,782**	11,708	17,136
Mineral properties (Note 6)	**648,277**	536,796	1,070,300
	$ 1,341,574	$ 902,029	$ 3,368,100
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 15)	**$ 72,918**	$ 216,716	$ 132,762
Shareholders' equity			
Share capital (Note 8(b))	**22,271,538**	21,659,158	21,237,758
Contributed surplus (Note 8(c) and 8(d) and 9)	**5,135,814**	4,972,568	4,828,699
Accumulated other comprehensive income	**77,703**	138,918	67,251
Deficit	**(26,216,399)**	(26,085,331)	(22,898,370)
	1,268,656	685,313	3,235,338
	$ 1,341,574	$ 902,029	$ 3,368,100

Going Concern (note 1)

Approved by the Board

"Michel Lafrance" — Director

"Patrick Fernet" — Director

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

VVC Exploration Corporation

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For The Three Months Ended April 30,

	2011	2010
Expenses		
Management and consulting fees	**$ 64,300**	$ 54,500
Investor relations	**34,727**	57,005
Professional fees	**22,501**	28,143
Office and sundry	**15,892**	22,703
Stock-based compensation (Note 8(c))	**15,076**	50,493
Travel and promotion	**11,072**	7,751
Rent	**10,171**	12,177
Telephone	**3,539**	2,937
Listing and transfer fees	**983**	1,221
Amortization	**926**	1,357
Bank charges	**128**	462
	179,315	238,749
Other income:		
Gain on sale of investments	**48,247**	25,280
Net loss	**$ (131,068)**	$ (213,469)
Basic and diluted loss per share (Note 10)	**$ -**	$ (0.06)

Consolidated Statements of Comprehensive Loss

Net loss	**$ (131,068)**	$ (213,469)
Reclassification adjustment for investment sold in the year	**(48,750)**	-
Unrealized loss on short-term investment	**(12,250)**	(5,848)
Exchange loss	**(215)**	(8,646)
Comprehensive loss for the year	**$ (192,283)**	$ (227,963)

Consolidated Statements of Deficit

Deficit, beginning of year	**$(26,085,331)**	$(19,741,900)
Net loss for the year	**(131,068)**	(213,469)
Deficit, end of year	**$(26,216,399)**	$(19,955,369)

VVC Exploration Corporation

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	2011	2010
Share Capital		
Beginning balance	**$ 21,659,158**	$ 21,237,758
Funds from private placements	**770,000**	-
Shares issued to acquire mineral properties	**-**	218,000
Shares issued as share issue costs	**38,500**	-
Share issue costs	**(47,950)**	-
Fair value of warrants issued	**(148,170)**	-
Balance April 30,	**22,271,538**	21,455,758
Contributed Surplus		
Beginning balance	**4,972,568**	4,828,699
Stock-based compensation	**15,076**	50,493
Fair value of warrants issued on private placement	**148,170**	-
Balance April 30,	**5,135,814**	4,879,192
Accumulated Other Comprehensive Income (Loss)		
Beginning balance	**138,918**	67,251
Reclassification adjustment for investment sold in the year	**(48,750)**	-
Unrealized loss on short-term investment	**(12,250)**	(5,848)
Exchange loss	**(215)**	(8,656)
Balance April 30,	**77,703**	52,747
Deficit		
Beginning balance	**(26,085,331)**	(22,898,370)
Net loss	**(131,068)**	(213,469)
Balance April 30,	**(26,216,399)**	(23,111,839)
Total shareholders' equity	**$ 1,268,656**	$ 3,275,858

VVC Exploration Corporation

Consolidated Statements of Cash Flows

For The Three Months Ended April 30,

	2011	2010
Cash flow from operating activities		
Loss for the period	**$ (131,068)**	$ (213,469)
Items not affecting cash:		
Amortization	**926**	1,357
Stock-based compensation	**15,076**	50,493
Gain on sale of short-term investment	**(48,247)**	(25,280)
	(163,313)	(186,899)
Other uses of cash from operations:		
Accounts receivable	**(21,798)**	(46,631)
Accounts payable and accrued liabilities	**(143,798)**	(64,522)
	(328,909)	(298,052)
Cash flow from investing activities		
Proceeds from the sale of short-term investments	**56,122**	31,128
Additions to mineral properties	**(111,481)**	(475,504)
	(55,359)	(444,376)
Cash flow from financing activities		
Common shares issued for cash	**770,000**	-
Share issue costs paid in cash	**(9,450)**	-
	760,550	-
Effect of translation adjustment on cash	**(215)**	(8,656)
Decrease in cash and cash equivalents	**376,067**	(751,084)
Cash and cash equivalents, beginning of year	**6,812**	1,845,308
Cash and cash equivalents, end of year	**$ 382,879**	$ 1,094,224
Cash and cash equivalents consist of:		
Cash	**$ 382,879**	$ 419,224
Highly liquid investments	**-**	675,000
	$ 382,879	$ 1,094,224

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed unaudited interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). As these condensed unaudited interim consolidated financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with IAS 34, Interim Financial Reporting and by IFRS 1, First-time Adoption of IFRS. These condensed unaudited interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its January 31, 2012 audited consolidated financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented.

An explanation of how the transition from Canadian GAAP ("GAAP") to IFRS has affected the reported condensed unaudited interim; statements of financial position, statements of operations, comprehensive loss, and cash flows of the Company is provided in note 14. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of equity, net loss and comprehensive loss for comparable periods and equity at the date of transition to IFRS, February 1, 2010.

These condensed unaudited interim consolidated financial statements do not include all of the information required for full annual financial statement.

Prior to February 1, 2011, the Company's consolidated financial statements were prepared in accordance with GAAP, which differ in certain respects from IFRS. Accordingly, the Company has commenced reporting on an IFRS basis in these condensed unaudited interim consolidated financial statements.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized There were no significant indicators of impairment of the carrying values of long-lived assets at April 30, 2011 or January 31, 2011.

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

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

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

Foreign exchange
The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Items included in the financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the income statement.

Assets and liabilities of entities with functional currencies other than U.S. dollars are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement uncertainty

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

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

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2009, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which represents the completion of the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement, with a new standard. Per recent updates to IFRS 9, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity’s own credit risk in the other comprehensive income or loss section of the entity’s statement of comprehensive loss, rather than within profit or loss. Additionally, IFRS 9 includes revised guidance related to the derecognition of financial instruments. IFRS 9 applies to financial statements for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company currently is evaluating any impact that this new guidance may have on the Company’s consolidated financial statements.

4. SHORT-TERM INVESTMENTS

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

	April 30, **2011**	January 31, 2011	February 1, 2010
Richmond Minerals Inc.	**$ -**	$ -	$ 20,625
GFK Resources Inc.	**-**	-	24,890
Sulliden Exploration Inc.	**90,025**	158,900	161,634
Balance	**$ 90,025**	$ 158,900	$ 207,149

5. EQUIPMENT

	Computer equipment	Automobile	Total
Cost			
Balance, February 1, 2010	$ 41,913	$ 12,929	$ 54,842
Balance, January 31, 2011	41,913	12,929	54,842
Balance, April 30, 2011	41,913	12,929	54,842

Accumulated Depreciation			
Balance, February 1, 2010	33,396	4,310	37,706
Depreciation for the year	2,556	2,872	5,428
Balance, January 31, 2011	35,952	7,182	43,134
Depreciation for the period	447	479	926
Balance, April 30, 2011	36,399	7,661	44,060
Carrying Amounts			
At February 1, 2010	$ 8,517	$ 8,619	$ 17,136
At January 31, 2011	$ 5,961	$ 5,747	$ 11,708
At April 30, 2011	$ 5,514	$ 5,268	$ 10,782

6. MINERAL PROPERTIES AND DEFERRED PROPERTY ACQUISITION COSTS

	Balance January 31, 2011	Additions/ (Recoveries)	Write-downs/ Disposals	Balance April 30, 2011
Mineral properties:				
Cumeral and La Tuna mineral properties (Mexico):				
Administration	$ 41,923	$ 1,747	$ -	**$ 43,670**
Drilling and exploration	69,266	10,137	-	**79,403**
Consulting	20,846	1,958	-	**22,804**
Geologist	21,509	-	-	**21,509**
Camp and travel	21,756	660	-	**22,416**
Acquisition	344,528	96,979	-	**441,507**
Supervision	1,000	-	-	**1,000**
Assaying and analysis	12,479	-	-	**12,479**
General expenses	2,432	-	-	**2,432**
Claims	1,055	-	-	**1,055**
	536,794	111,481	-	**648,275**
Ontario and Quebec area properties (Canada):				
Acquisition costs	2	-	-	**2**
	2	-	-	**2**
Total development stage properties	$ 536,796	$ 111,481	$ -	**$ 648,277**

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

	Balance February 1, 2010	Additions/ (Recoveries)	Write-downs/ Disposals	Balance January 31, 2011
Mineral properties:				
Santa Valeria, Santa Cristina, Cumeral and La Tuna mineral properties (Mexico):				
Administration	$ 77,560	$ 20,498	$ (56,135)	**$ 41,923**
Drilling and exploration	196,073	84,408	(211,215)	**69,266**
Consulting	25,318	10,477	(14,949)	**20,846**
Geologist	72,832	18,911	(70,234)	**21,509**
Camp and travel	113,829	-	(92,073)	**21,756**
Acquisition	302,740	726,289	(684,501)	**344,528**
Supervision	22,784	58,238	(80,022)	**1,000**
Assaying and analysis	23,012	13,123	(23,656)	**12,479**
General expenses	21,585	7,960	(27,113)	**2,432**
Claims	-	15,757	(14,702)	**1,055**
	855,733	955,661	(1,274,600)	**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	$ 1,070,800	$ 1,199,323	$ (1,733,327)	**$ 536,796**

	Balance February 1, 2009	Additions/ (Recoveries)	Write-downs/ Disposals	Balance February 1, 2010
Mineral properties:				
Santa Valeria and Santa Cristina mineral properties (Mexico):				
Administration	$ -	$ 77,560	$ -	**$ 77,560**
Drilling	-	196,073	-	**196,073**
Consulting	-	25,318	-	**25,318**
Geologist	-	72,832	-	**72,832**
Camp and travel	-	113,829	-	**113,829**
Acquisition	-	302,740	-	**302,740**
Supervision	-	22,284	-	**22,284**
Assaying and analysis	-	23,012	-	**23,012**
General expenses	-	21,585	-	**21,585**
	-	855,233	-	**855,233**

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

	Balance February 1, 2009	Additions/ (Recoveries)	Write-downs/ Disposals	Balance February 1, 2010
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	$ 855,233	$ -	**$ 1,070,300**

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.

Canadian properties

Due to the lack of continuous work on these properties and units, they were written down to a minimal value. The Company intends to sell or option its interest it these properties.

7. RELATED PARTY TRANSACTIONS AND BALANCES

Compensation to key management personnel were as follows:

	April 30, 2011	April 30, 2010
Compensation	**$ 81,000**	$ 83,000
Share-based payments (1)	**566**	6,538
Total	**$ 81,566**	$ 89,538

(1) Share-based payments are the fair value of options granted to key management personnel and expensed during the period.

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, February 1, 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
Shares issued on private placement	11,000,000	770,000
Shares issued as share issue costs	550,000	38,500
Share issue costs	-	(47,950)
Valuation of share purhase warrants	-	(148,170)
Balance, April 30, 2011	61,822,390	$ 22,271,538

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 fair value assigned to the 11,000,000 share purchase warrants was $148,170. The share purchase warrants were valued using the Black-Scholes option pricing model with the following assumptions; dividend yield - 0%, volatility - 89.73%, risk-free interest rate - 1.92%, and expected life - 1 year.

8. SHARE CAPITAL (continued)

(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.

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

	Number of Options	Weighted average Exercise Price
Balance, February 1, 2010	4,461,000	$ 0.32
Expired/cancelled	(154,000)	0.50
Granted	200,000	0.28
Balance, January 31, 2011	4,507,000	0.31
Expired/cancelled	(200,000)	0.34
Balance, April 30, 2011	4,307,000	$ 0.31

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at April 30, 2011 are as follows:

Options Outstanding				Options Exercisable	
Exercise Range	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price
$0.28 - $0.29	1,936,000	$ 0.28	2.18	1,836,000	$ 0.28
$0.30 - $0.30	1,861,000	$ 0.30	1.59	1,689,500	$ 0.30
$0.36 - $0.36	310,000	$ 0.36	3.20	310,000	$ 0.36
$0.50 - $0.50	200,000	$ 0.50	0.14	200,000	$ 0.50
	4,307,000	$ 0.31	1.90	4,035,500	$ 0.31

No stock options were granted during the period.

Stock based compensation of $15,076 relates to vested stock options that were granted in prior periods.

8. SHARE CAPITAL (continued)

(d) Warrants

The following table reflects the continuity of warrants:

2011

Expiry Date	Exercise Price	Balance January 31, 2011	Warrants Issued	Warrants Exercised	Expired/ Cancelled	Balance April 30, 2011
February 27, 2012	$0.50	1,440,000	-	-	-	1,440,000
October 9, 2011	$0.42	2,857,500	-	-	-	2,857,500
April 11, 2012	$0.12	-	11,000,000	-	-	11,000,000
	$0.21	4,297,500	11,000,000	-	-	15,297,500

2010

Expiry Date	Exercise Price	Balance February 1, 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
	$0.45	4,297,500	-	-	-	4,297,500

9. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus:

	Amount
Balance, February 1, 2010	$ 4,828,699
Stock-based compensation	143,869
Warrants expired	-
Balance, January 31, 2011	4,972,568
Stock-based compensation	15,076
Fair value of stock options exercised	148,170
Balance, April 30, 2011	$ 5,135,814

10. LOSS PER SHARE

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

		2011		2010
Numerator:				
Net loss	**$**	**(131,068)**	$	(213,469)
Denominator:				
Weighted average number of common shares outstanding, basic and diluted		**52,677,321**		48,256,352
Loss per share - basic and diluted	**$**	**-**	$	-

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

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being mineral exploration. As at April 30, 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.

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

April 30, 2011		**Canada**		**Mexico**		**Total**
Current assets	**$**	**445,202**		**237,313**	**$**	**682,515**
Mineral properties		**2**		**648,275**		**648,277**
Equipment		**10,782**		**-**		**10,782**
	$	**455,986**	**$**	**885,588**	**$**	**1,341,574**

April 30, 2010		Canada		Mexico		Total
Current assets	$	1,349,567		220,796	$	1,570,363
Mineral properties		445,066		1,312,891		1,757,957
Equipment		15,779		-		15,779
	$	1,810,412	$	1,533,687	$	3,344,099

12. CAPITAL MANAGEMENT

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

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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

The Company has classified financial assets as follows:

	April 30, 2011	January 31, 2011	February 1, 2010
Fair value through profit or loss, measured at fair value:			
Cash and cash equivalents	**$ 382,879**	$ 6,812	$1,845,308
Available-for-sale, measured at fair value:			
Short-term investments	**$ 90,025**	$ 158,900	$ 207,149
Loans and receivable, measured at amortized cost:			
Accounts receivable	**$ 209,611**	$ 187,813	$ 228,207
Other liabilities, measured at amortized cost:			
Accounts payable and accrued liabilites	**$ 72,918**	$ 216,716	$ 132,762

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

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

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

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.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 April 30, 2011, the Company does not have sufficient capital to fund its operations over the next twelve months. A Public financing is been arranged for completion in the the third or fourth quarter. As at April 30, 2011, the Company had a cash and cash equivalents balance of $382,879, $6,812 on January 31, 2011 and $1,845,308 on February 1, 2010 to settle current liabilities of $72,918 at April 30, 2011, $216,716 at January 31, 2011 and $132,762 at February 1, 2010.

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 $9,000.

(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 accumulated other comprehensive income by approximately $22.324.

14. TRANSITION TO IFRS

As discussed in note 2, these statements are the Company's first condensed interim unaudited consolidated financial statements prepared under IFRS, which the Company adopted on February 1, 2011. IFRS 1, First Time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to shareholders' equity unless certain exemptions are applied.

The accounting policies in note 2 have been applied in preparing:

(i) the condensed interim unaudited conolidated financial statements for the three months ended April 30, 2011 and April 30, 2010;
(ii) its opening balance sheet on the transition date, February 1, 2010 and;
(iii) the balance sheet as at January 31, 2011.

14. TRANSITION TO IFRS (Continued)

In preparing these statements, comparative financial results for the three months ended April 30, 2010 and the balance sheet as at April 30, and January 31, 2011 have been adjusted to comply with IFRS from amounts previously reported in accordance with GAAP.

The guidance for first-time adopters of IFRS is set out in IFRS 1, which provides for certain mandatory exceptions and optional exemptions. In preparing these interim financial statements, the Company applied the following:

Optional Exemptions

Business combinations
IFRS 1 allows a first-time adopter to elect not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to exercise this election.

Share-based payment transactions
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.

Mandatory Exceptions

Estimates
Hindsight is not used to create or revise estimates. The estimates previously made by the Company under GAAP were not revised upon adoption of IFRS except where necessary to reflect any differences in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods:

Reconcilaition of Equity

	January 31, 2011	April 30, 2010	February 1, 2010
Total equity under GAAP	$ 685,313	$ 3,711,880	$ 3,671,360
Differences increasing (decreasing) reported shareholders equity			
Contributed surplus	27,943	10,661	4,195
Deficit	(22,511)	(438,027)	(440,217)
Accumulated other comprehensive income	(5,432)	(8,656)	-
	-	(436,022)	(436,022)
Total equity under IFRS	$ 685,313	$ 3,275,858	$ 3,235,338

14. TRANSITION TO IFRS (Continued)

Reconciliation of Net Loss

	Year Ended January 31, 2011	Three Months Ended April 30, 2010
Net loss under GAAP	$ 3,604,667	$ 215,659
Differences increasing (decreasing) reported net loss		
Stock-based compensation	23,748	6,466
Foreign currency translation loss	(5,432)	(8,656)
Write down of exploration costs	(436,022)	-
	(417,706)	(2,190)
Net loss under IFRS	$ 3,186,961	$ 213,469

Reconciliation of Comprehensive Loss

	Year Ended January 31, 2011	Three Months Ended April 30, 2010
Comprehensive loss under GAAP	$ 3,527,568	$ 221,507
Differences increasing (decreasing) reported comprehensive loss		
Differences affecting net loss reported under GAAP	(417,706)	(2,190)
Net change in unrealized gains on currency translation	5,432	8,656
	(412,274)	6,466
Comprehensive loss under IFRS	$ 3,115,294	$ 227,973

Explanation of effect of transition from GAAP to IFRS

In addition to the exemptions and exceptions discussed above, the following narratives explain the significant differences between the previous historical GAAP accounting policies and the current IFRS polices applied by the Company.

(a) Share-based Payments

IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at February 1, 2010; and,
- From February 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy stated in note 1.

Recognition of Expense

GAAP - For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS - Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As a result, the Company adjusted its expense for share-based awards to reflect this difference in recognition

This change had a recognition, measurement and disclosure impact on the Company, accordingly, Contributed Surplus increased by $4,195 with a corresponding increase to deficit.

14. TRANSITION TO IFRS (Continued)

(b) Exploration and Evaluation Expenditures

Capitalizing vs. Expensing Exploration and Evaluation Costs:

Under IFRS 6, upon transition to IFRS, the Company may continue to follow its current accounting policies, whereby exploration and evaluation costs are capitalized or the Company may elect to expense all exploration and evaluation costs. Current industry practice varies from by company. Significant management judgement is required to determine appropriate accounting policies relating to the treatment of exploration and evaluation expenditures upon transition to IFRS. The Company has elected to continue to capitalize its exploration and evaluation expenditures that are directly related to the discovery, acquisition or development of exploration and evaluation activities upon transition to IFRS.

Once a company has legal right to explore a property, costs directly related to exploration and evaluation expenditures are recognized and capitalized in addition to the acquisition costs. A company is not allowed to capitalize exploration type expenses incurred while assessing the quality of property prior to having legal rights to explore the property.

The Company performed a detail review of its exploration and evaluation expenditures that were capitalized and has determined that in includes "pre-legal title" expenditures as at February 1, 2010. The Company decreased its capitalized exploration and evaluation expenditures by $436,022 with a corresponding increase to deficit.

(c) Foreign Currency Translation

Under IFRS, foreign operations with a functional currency different from the presentation currency are retranslated to Canadian dollar using the exchange rate prevailing on the reporting date with resulting gains and losses recorded in a separate account in equity. Under Canadian GAAP, the Company had considered its subsidiaries to be integrated and non-monetary items were translated at historic rates with resulting gains and losses recorded in net income.

This change did not have an impact at February 1, 2010, however, net loss for the year ended January 31, 2011 decreased by $5,432 due to the foreign exchange translation losses previously included in net loss under Canadian GAAP, which has been reclassified and included in other comprehensive loss under IFRS.

14. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statements of Financial Position as of February 1, 2010

	Notes	GAAP Balance	IFRS Adjustments	IFRS Balance
Assets				
Current				
Cash and cash equivalents		$ 1,845,308	$ -	$ 1,845,308
Short-term investments		207,149	-	207,149
Accounts receivable		228,207	-	228,207
		2,280,664	-	2,280,664
Equipment		17,136	-	17,136
Mineral properties	b	1,400,751	(330,451)	1,070,300
Deferred property acquisition costs	b	105,571	(105,571)	-
		$ 3,804,122	$ (436,022)	3,368,100
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 132,762	$ -	$ 132,762
Shareholders' Equity				
Share capital		21,237,758	-	21,237,758
Contributed surplus	a	4,824,504	4,195	4,828,699
Accumulated other comprehensive income		67,251	-	67,251
Deficit	a/b	(22,458,153)	(440,217)	(22,898,370)
		3,671,360	(436,022)	3,235,338
		$ 3,804,122	$ (436,022)	$ 3,368,100

14. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statements of Financial Position as of January 31, 2011

	Notes	GAAP Balance	IFRS Adjustments	IFRS Balance
Assets				
Current				
Cash and cash equivalents		$ 6,812	$ -	$ 6,812
Short-term investments		158,900	-	158,900
Accounts receivable		187,813	-	187,813
		353,525	-	353,525
Equipment		11,708	-	11,708
Mineral properties		536,796	-	536,796
Deferred property acquisition costs		-	-	-
		$ 902,029	$ -	902,029
Liabilities				
Current				
Accounts payable and accrued liabilities		$ 216,716	$ -	$ 216,716
Shareholders' Equity				
Share capital		21,659,158	-	21,659,158
Contributed surplus	a	4,944,625	27,943	4,972,568
Accumulated other comprehensive income	c	144,350	(5,432)	138,918
Deficit	a/c	(26,062,820)	(22,511)	(26,085,331)
		685,313	-	685,313
		$ 902,029	$ -	$ 902,029

14. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Operations for the Three Months Ended April 30, 2010

	Notes	GAAP Balance	IFRS Adjustment	IFRS Balance
Expenses				
Investor relations		$ 57,005	$ -	$ 57,005
Management and consulting		54,500	-	54,500
Stock-based compensation	a	44,027	6,466	50,493
Professional fees		28,143	-	28,143
Office and sundry		22,703	-	22,703
Rent and utilities		12,177	-	12,177
Travel and promotion		7,751	-	7,751
Telephone		2,937	-	2,937
Amortization		1,357	-	1,357
Listing and transfer fees		1,221	-	1,221
Bank charges		462	-	462
		-	-	-
		232,283	6,466	238,749
Other (income) expense				
Gain on sale of investments		(25,280)	-	(25,280)
Foreign exchange gain (loss)	c	8,656	(8,656)	-
Net loss		$ 215,659	$ (2,190)	$ 213,469

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For The Three Months Ended April 30, 2010

	Notes	GAAP Balance	IFRS Adjustment	IFRS Balance
Net loss		$ (215,659)	$ 2,190	$ (213,469)
Unrealized loss on short-term investments		(5,848)	-	(5,848)
Exchange loss	c	-	(8,656)	(8,656)
Net loss		$ (221,507)	$ (6,466)	$ (227,973)

14. TRANSITION TO IFRS (Continued)

Reconciliation of Consolidated Statement of Operations for the Year Ended January 31, 2011

	Notes	GAAP Balance	IFRS Adjustment	IFRS Balance
Expenses				
Management and consulting		$ 239,123	$ -	$ 239,123
Investor relations		234,487	-	234,487
Professional fees		169,876	-	169,876
Stock-based compensation	a	120,121	23,748	143,869
Office and sundry		67,230	-	67,230
Rent and utilities		42,630	-	42,630
Travel and promotion		31,304	-	31,304
Investment counselling fees		28,500	-	28,500
Listing and transfer fees		18,556	-	18,556
Telephone		14,869	-	14,869
Amortization		5,428	-	5,428
Bank charges		877	-	877
		-	-	-
		973,001	23,748	996,749
Other (income) expense				
Gain on sale of investments		(218,114)	-	(218,114)
Write down of exploration costs	b	2,169,348	(436,022)	1,733,326
Write down of investments		675,000	-	675,000
Foreign exchange gain (loss)	c	5,432	(5,432)	-
Net loss		$ 3,604,667	$ (417,706)	$ 3,186,961

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For The Year Ended January 31, 2011

Net loss		$ (3,604,667)	$ 417,706	$ (3,186,961)
Reclassification adjustment for investment sold in the year		(35,601)	-	(35,601)
Unrealized loss on short-term investments		112,700	-	112,700
Exchange loss	c	-	(5,432)	(5,432)
Net loss		$ (3,527,568)	$ 412,274	$ (3,115,294)

Reconciliation of Consolidated Statement of Cash Flows
The adoption of IFRS has had no impact on the net cash flows of the Company. The changes made to the statements of financial position and statements of consolidated income have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

15. ACCOUNTS PAYABLE

	April 30, 2011	January 31, 2011	February 1, 2010
Related parties	**$ -**	$ 80,000	$ 19,000
Other trade payables	**58,852**	121,577	49,566
Payables related to minieral properties	**14,066**	15,139	64,196
Accounts payable and accrued liabilites	**$ 72,918**	$ 216,716	$ 132,762