VATIC VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED

NOVEMBER 30, 2013

EXPRESSED IN CANADIAN DOLLARS

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

The Company’s independent auditor Davidson & Company LLP has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements.

January 29, 2014

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

		November 30, 2013		February 29, 2013
ASSETS				
Current				
Cash and cash equivalents (Note 4)	$	4,949	$	43,649
Amounts receivable		28,460		53,656
Deposit and prepaid expenses		-		10,728
		33,409		108,033
Non-current				
Equipment (Note 5)		5,270		6,224
Exploration and evaluation assets (Note 6)		193,765		417,265
Total assets	$	232,444	$	531,522
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 7)		257,369		235,031
Loan payable (Note 8)		123,542		188,477
Due to related parties (Note 12)		89,029		64,489
Total liabilities		469,940		487,997
EQUITY				
Share capital (Note 9)		2,778,909		2,511,696
Share-based payment reserve (Note 9)		97,617		119,292
Warrant reserve		24,245		11,658
Deficit		(3,138,267)		(2,599,121)
Total equity		(237,496)		43,525
Total liabilities and equity	$	232,444	$	531,522

Nature of operations and going concern (Note 1)
Commitments (Note 15)
Subsequent events (Note 16)

Approved by the Board of Directors and authorized for issue on January 29, 2014

"Nasim Tyab"	"*Matt Mikulic"*
Director	Director

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

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - unaudited)

	Three months ended		Nine months ended	
	November 30, 2013	November 30, 2012	November 30, 2013	November 30, 2012
Expenses				
Amortization (Note 5)	$ 318	$ 396	$ 954	$ 1,187
Business development	-	23,203	625	136,555
Consulting fees	29,252	46,881	35,437	141,368
Financing cost	-	-	4,988	-
Management fees (Note 12)	66,000	35,250	159,000	96,750
Mineral interests impairment charge (Note 6)	230,000	-	230,000	-
Office and miscellaneous	2,884	6,332	22,364	22,109
Professional fees	8,646	23,235	28,808	63,217
Rent	4,050	8,100	10,800	21,600
Salaries and wages	744	9,633	8,773	32,993
Share-based payments (Note 9 and 12)	-	1,668	-	102,428
Settledown of option agreement	12,000	-	12,000	-
Transfer agent and filing fees	8,668	1,904	27,801	17,638
Travel	7,000	3,954	7,000	12,855
Total expenses	(369,562)	(160,556)	(548,550)	(648,700)
Interest expense (income)	(649)	45	(12,271)	149
	(649)	45	(12,271)	149
Net and comprehensive loss for the year	$ (370,211)	$ (160,511)	$ (560,821)	$ (648,551)
Weighted average number of common shares outstanding (basic and diluted)	5,629,537	15,973,914	4,109,315	15,443,397
Basic and diluted net loss per share	$ (0.066)	$ (0.010)	$ (0.136)	$ (0.042)

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

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars - unaudited)

	Number of shares issued		Share Capital		Warrant reserve		Share-based payment reserve		Subscriptions received		Deficit		Total
Balance, February 29, 2012	2,004,625	$	1,618,414	$	14,915	$	29,843	$	-	$	(857,018)	$	806,154
Net loss for the period	-		-		-		-		-		(648,551)		(648,551)
Private placement	525,263		420,210		-		-		-		-		420,210
Share issued for acquisition of exploration and evaluation assets	435,000		278,400		-		-		-		-		278,400
Finder's fee	-		(52,811)		-		-		-		-		(52,811)
Fair value of agent's warrants granted	-		(9,363)		9,363		-		-		-		-
Fair value of options expired	-		-		-		(8,373)		-		8,373		-
Share-based payment	-		-		-		102,428		-		-		102,428
Balance, November 30, 2012	**2,964,888**		**2,254,850**		**24,278**		**123,898**		**-**		**(1,497,196)**		**905,830**
Balance, February 28, 2013	**3,357,466**	**$**	**2,511,696**	**$**	**11,658**	**$**	**119,292**	**$**	**-**	**$**	**(2,599,121)**	**$**	**43,525**
Net loss for the period	-		-		-		-		-		(560,821)		(560,821)
Private placement	4,808,334		288,500		-		-		-		-		288,500
Finder's fee	-		(8,700)		-		-		-		-		(8,700)
Fair value of agent's warrants granted	-		(12,587)		12,587		-		-		-		-
Fair value of options expired	-		-		-		(21,675)		-		21,675		-
Balance, November 30, 2013	**8,165,800**	**$**	**2,778,909**	**$**	**24,245**	**$**	**97,617**	**$**	**-**	**$**	**(3,138,267)**	**$**	**(237,496)**

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

VATIC VENTURES CORP.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

	Three months ended		Nine months ended	
	November 30 2013	November 30 2012	November 30 2013	November 30 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ (370,211)	$ (160,511)	$ (560,821)	$ (648,551)
Adjustments for:				
Amortization	318	396	954	1,187
Share-based payments	-	1,668	-	102,428
Mineral interests impairment charge	230,000	-	230,000	-
Changes in non-cash working capital items:				
Increase in amounts receivable	(9,185)	(6,758)	25,196	9,785
Increase (decrease) in prepaid expenses	-	(1,015)	10,728	(904)
Increase in due to related parties	(74,300)	35,215	24,540	67,563
Increase (decrease) in accounts payable and accrued liabilities	31,318	45,887	22,337	83,319
Net cash used in operating activities	(192,060)	(85,118)	(247,066)	(385,173)
CASH FLOWS FROM INVESTING ACTIVITIES				
Evaluation and exploration assets	(6,500)	(143,000)	(6,500)	(150,133)
Net cash used in investing activities	(6,500)	(143,000)	(6,500)	(150,133)
CASH FLOWS FROM FINANCING ACTIVITIES				
Share capital	288,500	420,210	288,500	420,210
Share issuance cost	(8,700)	(52,810)	(8,700)	(52,810)
Subscriptions received	-	(157,000)	-	-
Loan payable	(78,861)	-	(64,935)	-
Net cash provided by financing activities	200,939	210,400	214,865	367,400
Increase (decrease) in cash and cash equivalents	2,379	(17,718)	(38,701)	(167,906)
Cash and cash equivalents, beginning of the period	2,570	58,197	43,649	208,385
Cash and cash equivalents, end of the period	$ 4,949	$ 40,479	$ 4,948	$ 40,479

Supplemental disclosure with respect to cash flows (Note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Vatic Ventures Corp. ("the Company") was incorporated under the Business Corporations Act (British Columbia) on October 30, 2007 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("Exchange") Policy 2.4 until January 26, 2011. On January 26, 2011, the Company completed its Qualifying Transaction (the "Transaction") and received the final exchange bulletin for the Transaction from the Exchange. As a result, the Company's shares are listed for trading on the Exchange under the trading symbol "VCV".

Following the completion of the Transaction, the Company is listed as a Tier 2 mining exploration issuer. The Company operates in a single business segment focusing on mineral exploration in British Columbia, Canada and Sinaloa, Mexico. To date, the Company has not generated any revenue from its mineral exploration activities and has met its cash requirements primarily through share issuances and interest income. Until the Company attains profitability, it will be necessary to raise additional financings for general working capital and for exploration costs on its property. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The Company's shares are listed for trading on the TSX Venture Exchange (the "Exchange"). On September 23, 2013, the Company completed a share consolidation in which one post consolidation common share replaced eight pre-consolidation common shares (note 9). Upon Exchange approval of the share consolidation, the Company began trading on a post-consolidation basis under the symbol "VCV" on September 23, 2013. As such, all current and comparative share capital amounts have been restated to account for the 8 to 1 common share consolidation.

The head office, principal address, registered address and records office of the Company are located at 1008 Homer Street, Suite 318, Vancouver, British Columbia, Canada, V6B 2X1.

On June 20, 2012, the Company incorporated two wholly owned subsidiaries VV Mining Exploration Services Mexico S. DE. R. I. and VV Mining Mexico S. DE R. I. C. V. to carry out the exploration activities of the La Silla West claims in the State of Sinaloa, Mexico. As at November 30, 2013, the two subsidiaries were inactive. These financial statements present the consolidated operations of the Company and its subsidiaries.

As at November 30, 2013, the Company had a cumulative deficit of $3,138,267 (February 28, 2013 - $2,599,121) and a working capital deficiency of $436,531 (February 28, 2013 - $379,964). The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These condensed consolidated interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. However, the Company's future capital requirements will depend on many factors, including operating costs, the current capital market environment and global market conditions.

These condensed consolidated interim financial statements ("consolidated financial statement") do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The consolidated financial statements of the Company should be read in conjunction with the Company's 2013 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual financial statements, except for income tax expense which is recognized and disclosed for the full financial year in the audited financial statements.

Approval of the financial statements

The consolidated financial statements of the Company for the nine months ended November 30, 2013, were reviewed by the Audit Committee and approved and authorized for issue on January 29, 2013 by the Board of Directors of the Company.

Basis of preparation

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts and operations of the Company and its wholly owned subsidiaries, VV Mining Exploration Services Mexico S. DE. R. I. and VV Mining Mexico S. DE R. I. C. V. The two subsidiaries were incorporated in Mexico on June 20, 2012. Details of controlled entities are as follows,

	Country of incorporation	Percentage owned November 30, 2013
VV Mining Exploration Services Mexico S. DE. R. I.	Mexico	100%
VV Mining Mexico S. DE R. I. C. V.	Mexico	100%

All inter-company transactions and balances have been eliminated upon consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

Significant Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statement are discussed below:

1) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

2) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement in determining whether it is likely that future economic benefits will flow to the Company.

If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available.

Significant Accounting Estimates and Assumptions

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

1) Estimated Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical and industry experience. Adjustments to useful life are made when considered necessary. Amortization charges are disclosed in Note 5.

2) Share-Based Payments

Equity-settled share-based awards are recognized as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of an option valuation model – Black-Scholes, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life, and is expensed over the vesting period. Using different input estimates or models produces different option values, which would result in the recognition of a higher or lower expense.

(Expressed in Canadian dollars - unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Accounting standards, amendments and interpretations not yet effective

IFRS 9 *Financial Instruments* – IFRS 9 is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". This new standard is effective for annual periods beginning on or after January 1, 2015. The Company is currently assessing the impact that this standard will have on the financial statements.

***IAS 27 Separate Financial Statements* -** The amendment addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. The Company intends to adopt the standard beginning on March 1, 2014.

***IAS 28 Investments in Associates and Joint Ventures* -** This amendment includes joint ventures in its scope and addresses the changes in IFRS 10-13. It deals with the requirements for separate financial statements, which have been carried over largely un-amended from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt the standard beginning on March 1, 2014.

***Amendments to IFRS 7 Disclosures* –** Amended IFRS requires additional disclosures on transferred financial assets.

***Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities* -** The amendments to IAS 32 clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- The meaning of currently has a legally enforceable right of set-off;
- The application of simultaneous realization and settlement;
- The offsetting of collateral amounts; and
- The unit of account for applying the offsetting requirement.

The Company intends to adopt the standard beginning on March 1, 2014.

4. CASH AND CASH EQUIVALENTS

	November 30, 2013	February 28, 2013
Cash at bank	$ 4,949	$ 4,039
Term deposit	-	39,610
Cash and cash equivalents	$ 4,949	$ 43,649

The term deposit was a 30 day term deposit with 0.45% annual interest rate which matured on March 15, 2013, and was withdrawn on March 28, 2013.

(Expressed in Canadian dollars - unaudited)

5. EQUIPMENT

	Computer equipment	Furniture & fixtures	Total
Cost:			
At February 29, 2012 and February 28, 2013	$ 1,770	$ 8,068	$ 9,838
Amortization:			
At February 29, 2012	398	1,633	2,031
Charges for the year	296	1,287	1,583
At February 28, 2013	$ 694	$ 2,920	$ 3,614
Net book value:			
At February 28, 2013	**$ 1,076**	**$ 5,148**	**$ 6,224**

	Computer equipment	Furniture & fixtures	Total
Cost:			
At February 28, 2013 and November 30, 2013	$ 1,770	$ 8,068	$ 9,838
Amortization:			
At February 28, 2013	694	2,920	3,614
Charges for the period	182	772	954
At November 30, 2013	$ 876	$ 3,692	$ 4,568
Net book value:			
At February 28, 2013	1,076	5,148	6,224
At November 30, 2013	**$ 894**	**$ 4,376**	**$ 5,270**

(Expressed in Canadian dollars - unaudited)

6. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition and exploration costs on its mineral properties.

	Canada	Mexico	Mexico	
	Brookmere Property	La Silla West Property	La Silla Property	Total
Balance of costs				
Total acquisition costs	$ 119,700	$ 213,000	$ -	$ 332,700
Total deferred exploration costs	272,065	-	-	272,065
Balance, February 29, 2012	$ 391,765	$ 213,000	$ -	$ 604,765
Additions				
Acquisition costs				
Cash	$ -	$ 80,625	$ 116,000	$ 196,625
Shares	25,500	91,641	278,400	395,541
Total acquisition costs	25,500	172,266	394,400	592,166
Exploration costs				
Property tax	-	-	110,032	110,032
Property assessments	-	12,230	-	12,230
Field work	-	8,274	-	8,274
Geological consulting	-	35,742	-	35,742
Legal fees	-	579	-	579
Maps	-	473	-	473
Travel and accomodation	-	3,274	-	3,274
Total exploration costs	**-**	**60,572**	**110,032**	**170,604**
Total acquisition costs	145,200	385,266	394,400	924,866
Total deferred exploration costs	272,065	60,572	110,032	442,669
Write-down of exploration and evaluation assets	-	(445,838)	(504,432)	(950,270)
Balance, February 28, 2013	**$ 417,265**	**$ -**	**$ -**	**$ 417,265**

(Expressed in Canadian dollars - unaudited)

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

		Canada		Mexico		Mexico		
		Brookmere Property		La Silla West Property		La Silla Property		Total
Balance of costs								
Total acquisition costs	$	145,200	$	385,266	$	394,400	$	924,866
Total deferred exploration costs		272,065		60,572		110,032		442,669
Balance, February 28, 2013	$	417,265	$	445,838	$	504,432	$	1,367,535
Additions								
Exploration costs								
Field work		6,500		-		-		6,500
Total exploration costs		**6,500**		**-**		**-**		**6,500**
Total acquisition costs		145,200		385,266		394,400		924,866
Total deferred exploration costs		278,565		60,572		110,032		449,169
Write-down of exploration and evaluation assets		(230,000)		(445,838)		(504,432)		(1,180,270)
Balance, November 30, 2013	**$**	**193,765**	**$**	**-**	**$**	**-**	**$**	**193,765**

<u>BROOKMERE PROPERTY</u>

On May 17, 2010 and further amended on January 14, 2011, the Company entered into a mineral property option agreement (the "Agreement") with Eastland Management Ltd. ("Eastland"). Pursuant to the terms of the Agreement, the Company has the option to acquire a 100% undivided interest in 14 claims (the "Brookmere Property") located southwest of Merritt, British Columbia, Canada.

To acquire a 100% undivided interest in the Brookemere property and to exercise the option, the Company is to pay Eastland:

1) $15,000 cash (paid) upon execution of the agreement.

2) Issue 83,750 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $67,000) of the Company upon issuance of the Final Exchange Bulletin.

3) Issue 25,000 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $16,000) of the Company on or before the first year anniversary of the bulletin.

4) Issue 37,500 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $25,500) of the Company on or before the second year anniversary of the bulletin.

Upon the commencement of commercial production, the Company shall pay Eastland a 1.5% Net Smelter Returns Royalty. Upon execution of the agreement and the Company receiving the Geological Report, the Company shall pay $15,000 (paid) to Eastland, which amount shall be non-refundable in the event the agreement is terminated.

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

BROOKMERE PROPERTY (cont'd...)

Rider Capital Corp. received 8,375 shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) as a finder's fee in connection with the Transaction (common shares were issued and valued at $6,700).

On February 13, 2013, and further announced on July 10, 2013, the Company entered into an option agreement with Quadro Resources Corp. ("Quadro"). The Company granted an exclusive right and option to Quadro to acquire, subject to the terms and conditions of this option agreement, a 51% interest in the property subject to a 1.5% Net Smelter Return royalty in favor of the Underlying Vendor.

Pursuant to the terms of the agreement, Quadro has to complete the following within the time limit as follows:

a. $110,000 of exploration expenditures by April 30, 2014;

b. a further $250,000 of exploration expenditures by April 30, 2015; and

c. a further $500,000 of exploration expenditures by April 30, 2016.

As at November 30, 2013, the Company dropped 8 of the 14 claims that comprise the Brookmere Property, and the Company recorded $230,000 as an impairment charge to write-off part of the property.

LA SILLA WEST PROPERTY, SINALOA, MEXICO

The Company entered into an initial mineral property option agreement with K.J. Gold Canada Ltd. ("K.J. Gold") and its wholly owned Mexican subsidiary on April 6, 2011. The agreement ("Option Agreement") was finalized on November 30, 2011 and approved by the Exchange on December 13, 2011. The Company can acquire an undivided 100% interest in certain mineral claims known as the La Silla West property (the "La Silla West Property") located in Sinaloa, Mexico.

In order for the Company to exercise its option (the "Option") and earn an undivided 100% right, title and interest from the optionor (the "Optionor"), the Company had to:

1) upon execution of the Option Agreement, pay the optionor $15,000 cash (paid);

2) on approval by the Exchange, issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $105,000) and pay $75,000 cash (paid) to the Optionor;

3) on or before the first anniversary date of the Option Agreement, pay the optionor an additional $75,000 (paid) cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $85,000);

4) on or before the second anniversary date of the Option Agreement, pay the optionor an additional $75,000 cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)). The Company would have acquired a 50% interest in the property;

5) on or before the third anniversary date of the Option Agreement, pay the optionor an additional $75,000 cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)). The Company would have acquired a 75% interest in the property.

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

LA SILLA WEST PROPERTY, SINALOA, MEXICO (cont'd...)

6) on or before the fourth anniversary date of the Option Agreement, pay the optionor an additional $75,000 cash and issue 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)). The Company would have acquired a 100% interest in the property.

Upon the commencement of commercial production, the Company was to pay K.J. Gold a 2.0% Net Smelter Returns Royalty (the "NSR").

The Company would have acquired a 50% interest in the property once the first 375,000 shares of the Company (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) were issued and $225,000 is paid. After the acquisition of the 50% interest, the Company had the choice to enter into a joint venture with the optionor with respect to the joint development of the property rather than pursue the acquisition of a further interest.

The Company had to pay a Finder's fee of $26,250 and issue 46,875 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) to the finder in consideration for the finder introducing K.J. Gold to the Company:

- Cash payment of $7,500 (paid) and issue 12,500 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $10,500) on the closing date;

- Cash payment of $5,625 (outstanding) and issue 9,766 (issued and valued at $6,641) common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9))on the one year anniversary of the closing date;

- Cash payment of $5,625 and issue 9,375 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) on the two year anniversary of the closing date;

- Cash payment of $3,750 and issue 8,984 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) on the three year anniversary of the closing date; and

- Cash payment of $3,750 and issue 6,250 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) on the four year anniversary of the closing date.

As at February 28, 2013, the Company questioned the viability of La Silla West Property and recorded $445,838 as an impairment charge to write-off the property.

On November 19, 2013, the option agreement for La Silla West Property was terminated. In consideration of termination, the Company had to pay directly to K.J. Gold the total sum of $35,000 in the following three installments:

- Cash payment of $12,000 on November 11, 2013 (paid);
- Cash payment of $12,000 on May 11, 2014;
- Cash payment of $11,000 on November 11, 2014.

The termination agreement is in full and complete settlement of any all claims by K. J. Gold and its Mexican subsidiary Mineral EI Protrero de Protrero de Durango S. de R.L.de C.V. The Company has no further mining properties in Mexico.

(Expressed in Canadian dollars - unaudited)

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

LA SILLA PROPERTY, SINALOA, MEXICO

On April 16, 2012, the Company entered into an agreement (the "Option Agreement") with Minera Meridian Minerals S.R.L. de C.V. ("Minera Meridian") to acquire the right to earn an undivided 100% interest in mineral claims located in Sinaloa, Mexico. Under the term of the Option agreement, the Company was required to issue common shares and make the cash payments according to the following schedule, with value added tax of 16% (or whatever the rate may be at the time of each payment):

- 375,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) (issued and valued at $240,000) of the Company and a $100,000 cash payment (paid) to Minera Meridian on the closing date;

- 187,500 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) of the Company and a $100,000 cash payment to Minera Meridian on the first anniversary of the closing date;

- 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) of the Company and a $100,000 cash payment to Minera Meridian on the second anniversary of the closing date;

- 125,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) of the Company and a $100,000 cash payment to Minera Meridian on the third anniversary of the closing date.

The Company would have acquired a 70% interest in the property after fulfilling the above payments. The Company would have had to make the final payment of 375,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) and $750,000 to Minera Meridian to acquire the remaining 30% interest.

Additionally, with the first payment to Minera Meridian, the Company also issued 60,000 common shares (after giving retroactive effect to the 8-for-1 share consolidation effective September 23, 2013 (Note 9)) valued at $38,400 and paid $16,000 for value added tax of 16%.

As at February 28, 2013, the Company questioned the viability of the La Silla property and recorded $504,432 as an impairment charge to write-off the property.

On June 28, 2013, the Company terminated its option agreement with Minera Meridian Minerales S.R.L. de C.V. dated April 14, 2012 whereby the Company was to acquire the right to earn a 100% undivided interest in La Silla claims located in Sinaloa, Mexico.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	November 30, 2013	February 28, 2013
Accounts payable	$253,869	$208,576
Accrued liabilities	3,500	26,455
	$257,369	$235,031

(Expressed in Canadian dollars - unaudited)

8. LOAN PAYABLE

During the year ended February 28, 2013, the Company obtained loans from 3 arms-length parties, Quarry Bay Equity, Jacques Martel and Coventry Partners Inc.

As at November 30, 2013, the loan payable consisted of a $70,455 loan from Quarry Bay Equity and a $37,300 loan from Jacques Martel. The Company also accrued $15,787 (February 28, 2013 - $3,722) interest on the loans for an aggregate balance of $123,542 (February 28, 2013 - $188,477). All the loans are unsecured, due on demand and bear an annual interest rate of 12%.

	Principal		Accrued interest expenses		Payment		Loan balance at November 30, 2013
$	32,500	$	-	$	(32,500)	$	-
	117,455		11,956		(47,000)		82,411
	37,300		3,830		-		41,130
$	187,255	$	15,787	$	(79,500)	$	123,542

	Principal		Accrued interest expenses		Loan balance at February 28, 2013
$	32,500	$	1,673	$	34,173
	117,455		1,640		119,095
	34,800		409		35,209
$	184,755	$	3,722	$	188,477

9. SHARE CAPITAL

Authorized: unlimited common shares without par value

On September 23, 2013, the Company completed a share consolidation in which one (1) post-consolidated common share replaced eight (8) pre-consolidated common shares. All information relating to basic and diluted loss per share, the weighted average number of common shares outstanding, the issued and outstanding common shares, common shares issued, share options, warrants, and commitments to exploration and evaluation assets (Note 6) have been adjusted retroactively to reflect the impact of the share consolidation in these consolidated financial statements.

On October 22, 2013, the Company closed the first tranche of a non-brokered private placement of 4,808,334 units at a price of $0.06 per unit for total proceeds of $288,500. Each unit will be issued as a non flow-through unit consisting of one common share and one share purchase warrant. One full warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of 36 months following the closing date. A finder's fee of $8,700 in cash and 145,000 broker warrants in connection with the private placement.

At November 30, 2013, there were 8,165,800 issued and fully paid common shares (February 28, 2013– 3,357,466).

<u>During the year ended February 28, 2013:</u>

On February 25, 2013, the Company closed a non-brokered private placement of 189,063 units at a price of $0.64 per unit for total proceeds of $121,000. Each unit will be issued as a non flow-through unit consisting of one common share and one-half share purchase warrant. One full warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.96 per share for the first year, and $1.20 per share in the second year. The share purchase warrants shall expire on the earlier of the last day of the two year exercise term or the accelerated expiry date.

9. SHARE CAPITAL (cont'd...)

During the year ended February 28, 2013: (cont'd...)

The Company paid $4,000 and issued 6,250 agent's warrants with a fair value of $2,295 in finders' fee in connection with the private placement. The fair value of warrants were calculated using a risk free rate of 1.19%, and expected life of 2 years, a volatility of 150.87% and an expected dividend rate of 0.00%.

On October 24, 2012, the Company closed a non-brokered private placement of 556,513 units at a price of $0.80 per unit for total proceeds of $445,210. Each unit was issued as a non flow-through unit consisting of one common share and one-half of a share purchase warrant. One full warrant will entitle the holder to purchase one additional common share of the Company at a price of $1.20 per share for the first year, and $1.60 per share in the second year. The share purchase warrants shall expire on the earlier of the last day of the two year exercise term or the accelerated expiry date.

The Company paid $52,811 and issued 18,750 agents' warrants with a fair value of $9,363 in finders' fee in connection with the private placement closed on October 24, 2012. The fair value of warrants were calculated using a risk free rate of 1.09%, and expected life of 2 years, a volatility of 206.70% and an expected dividend rate of 0.00%.

During the year ended February 28, 2013, the Company issued 607,266 common shares for the acquisition of mineral property interests with a value of $395,541.

Escrow

During the year ended February 29, 2008, the Company issued 375,000 common shares at a price of $0.40 per share for total proceeds of $150,000. These common shares were held in escrow and to be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the Exchange and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. 187,500 common shares were cancelled during the year ended February 28, 2011 as a result of the Company not being able to complete its Qualifying Transaction in a timely manner. The Final Exchange Bulletin was received on January 26, 2011 and 18,750 shares were released. As of November 30, 2013, 28,125 shares remain in escrow.

Share options

The Company adopted a share option plan (the "Share Option Plan") under which it may grant options to directors, officers, and technical consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the discounted market price. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

For share options granted to employees, officers, directors, and consultants, the Company recognizes as an expense, the estimated fair value of the share options granted. The fair value of each share option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

(Expressed in Canadian dollars - unaudited)

9. SHARE CAPITAL (cont'd...)

Share options (cont'd...)

A summary of share options outstanding is as follows:

	Number of Options [(1)]	Weighted Average Exercise Price [(1)] $	Weighted Average Number of Years to Expiry
Balance, February 29, 2012	37,500	1.60	1.11
Granted	162,500	0.96	
Cancelled	(27,500)	1.60	
Expired	(12,500)	1.60	
Balance, February 28, 2013	160,000	0.96	2.93
Expired	(25,000)		
Balance, November 30, 2013	135,000	0.80	2.64

As at November 30, 2013, the following incentive share options are outstanding and exercisable:

Weighted average exercise price [(1)]	Weighted average contractual life (years)	Number of Options outstanding [(1)]	Number of Options exercisable [(1)]	Expiry date
0.80	0.61	43,750	43,750	July 9, 2014
0.80	3.61	91,250	91,250	July 9, 2017
$ 0.80	2.64	135,000	135,000	

[(1)] The number of options and the exercise price per share has been retroactively adjusted to reflect the 8-for-1 share consolidation effective September 23, 2013.

(Expressed in Canadian dollars - unaudited)

9. SHARE CAPITAL (cont'd...)

Warrants

Changes to the balance of warrants outstanding are as follows:

	Warrants outstanding (1)		Weighted average exercise price (1)	Weighted average number of year to expiry
Balance, February 28, 2011	813,125	$	1.20	1.89
Granted - private placement	231,250		2.40	
Balance, February 29, 2012	1,044,375	$	1.16	0.97
Granted - private placement	394,663		1.12	
Expired	(813,125)		1.60	
Balance, February 28, 2013	625,913	$	1.84	1.22
Granted - private placement	4,808,334		0.10	
Granted - Finders warrants	145,000		0.10	
Expired	(231,250)		1.60	
Balance, November 30, 2013	5,347,997	$	0.60	4.20

As at November 30, 2013, the following warrants are outstanding and exercisable:

Weighted Average Exercise Price (1)	Weighted Average Life (Years)	Number of warrants outstanding and exercisable (1)	Expiry date
1.20	0.99	293,881	November 28, 2014
0.96	1.12	100,781	January 14, 2015
0.10	2.88	4,808,334	October 18, 2016
0.10	2.88	145,000	October 18, 2016
$ 0.60	4.20	5,347,997	

(1) The number of options and the exercise price per share has been retroactively adjusted to reflect the 8-for-1 share consolidation effective September 23, 2012.

Share-based payments

During the nine months ended November 30, 2013, 25,000 options exercisable at $1.6 per share expired unexercised. The Company reversed the fair value of expired options of $21,675 (February 28, 2013 - $8,374) to retained earnings.

For the year ended February 28, 2013, the total share-based payments calculated for stock options granted under the fair value method was $97,823 (February 29, 2012 - $24,174) using the Black-Scholes option pricing model. During the year ended February 28, 2013, the Company reversed the fair value of cancelled options of $8,374 (February 29, 2012 - $Nil) resulting in share-based payments expense of $97,823 (February 29, 2012 - $24,174) for the unvested portion of the stock options to operations.

(Expressed in Canadian dollars - unaudited)

10. CAPITAL DISCLOSURE

The Company considers its capital structure to include the net residual equity of all assets, less liabilities. Capital is comprised of the Company's equity and any debt that it may issue. The Company's objectives when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue as a going concern; (ii) maintain a capital structure to allow the Company to raise equity funding to finance its capital expenditures and acquisition activities; (iii) maintain creditworthiness and maximize returns for shareholders over the long term; (iv) maintain capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances. The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will be used to fund the Company's working capital and exploration activities.

11. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Under IFRS, a three-level hierarchy that reflects the significance of inputs used in making fair value adjustments is required. The three levels of the fair value hierarchy are as follows:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Inputs for assets or liabilities that are not based on observable market data.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described above. Assets and liabilities are classified in entirety based on the lowest level of input that is significant to the fair value measurement.

As at November 30, 2013, there are no assets and liabilities classified to the fair value measurement.

	As at November 30, 2013			
Assets	Level 1	Level 2	Level 3	Total
Cash	$ 4,949	$ -	$ -	$ 4,949
Total	$ 4,949	$ -	$ -	$ 4,949

	As at February 28, 2013			
Assets	Level 1	Level 2	Level 3	Total
Cash	$ 4,039	$ -	$ -	$ 4,039
Term deposit	39,610	-	-	39,610
Total	$ 43,649	$ -	$ -	$ 43,649

Financial Instrument Risks

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

11. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)

Financial Instrument Risks (cont'd...)

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and cash equivalents and receivables.

The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of GST/HST receivables due from federal government agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. At November 30, 2013, the Company had a cash of $4,949 (February 28, 2013 - $43,649) to settle current liabilities of $469,940 (February 28, 2013 - $487,997). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand 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, foreign exchange rates, and commodity and equity prices.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

There are some expenses for the Company denominated in US dollars. The Company may become exposed to currency fluctuations on mineral evaluation and exploration which are denominated in US dollars. These potential currency risks could have a significant impact on the Company.

As at November 30, 2013, the Company was exposed to currency risk through the following monetary assets and liabilities in US dollars:

Accounts payable and accrued liabilities		(26,760)
	$	(26,760)
Foreign exchange rate at November 30, 2013 - USD		1.0599

Based on the net exposures at November 30, 2013, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would not have a significant impact on the Company's net earnings (loss).

(Expressed in Canadian dollars - unaudited)

12. RELATED PARTY TRANSACTIONS

The amounts due to related parties are amounts due to officers and directors of the Company. The balances are unsecured, non-interest bearing and have no specific terms for repayment. Accordingly, the fair value cannot readily be determined. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Due to related parties

	November 30, 2013	February 28, 2013
President and CEO	$ 35,459	$ 30,799
CFO	43,570	33,690
Corporate secretary	10,000	-
Total	$ 89,029	$ 64,489

During nine months ended November 30, 2013 and 2012, the Company paid management fees to its officers and directors as follows:

	Nine months ended	
	November 30, 2013	November 30, 2012
President and CEO	$ 84,000	$ 72,000
CFO	61,500	18,000
Corporate secretary	13,500	6,750
	$ 159,000	$ 96,750

During the nine months ended November 30, 2013, the Company granted Nil (2012 – 93,000) share options to its directors and officers, which valued at $Nil (2012 - $96,750).

13 SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOW

The non-cash investing activities during nine months ended November 30, 2013 and 2012 and non-cash financing activities during the nine months ended November 30, 2013 and 2012 are as follows:

	November 30, 2013	November 30, 2012
Non-cash investing activities		
Property expenses in accounts payable	$ 6,500	$ 31,647
Non-cash financing activities		
Agent warrants granted	12,587	-
Fair value of options expired	(21,675)	(8,373)
Fair value of options granted	-	102,428

(Expressed in Canadian dollars - unaudited)

14. SEGMENTED INFORMATION

The Company's business is considered to be in one segment, being mineral property acquisition, exploration and development. The total property assets by geographical locations are as follows:

Nine months ended November 30, 2013		Canada		Mexico		Total
Tangible assets	$	199,036	$	-	$	199,036
Amortization		954		-		954

Year ended February 28, 2013		Canada		Mexico		Total
Tangible assets	$	423,489	$	-	$	423,489
Amortization		1,583		-		1,583

15. COMMITMENTS

The Company has the contract with the Company's secretary, CFO and CEO on management services. The CEO's amount was $8,000 for the period from January 2012; the CFO's amount was $3000 for the period from August 2012 to December 2012, and increased to $6,000 from January 2013; and the secretary's amount was $1,500 for the period from March 10, 2013. The Company may at any time after the Initial Term (one year), terminate this Agreement by giving one month written notice.

16. SUBSEQUENT EVENTS

On December 20, 2013, the Company closed the 2nd tranche of a non-brokered private placement of 416,666 units at a price of $0.06 per unit for total proceeds of $25,000. Each unit will be issued as a non flow-through unit consisting of one common share and one share purchase warrant. One full warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share for a period of 36 months following the closing date.

On January 20, 2014, the Company arranged a non-brokered private placement of up to 10,000,000 units at a price of $0.06 per unit for total proceeds of up to $600,000, subject to the approval of the Exchange. Up to 10,000,000 will be issued as non flow-through units consisting of one common share and one whole warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.10 per share for 36 months from the date of closing. As at the date these financial statements were approved and authorized for issue, the private placement had not been closed.