TELSON RESOURCES INC.

(formerly - SOHO RESOURCES CORP.)

FINANCIAL REPORTS:

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

Nine months ended

NOVEMBER 30, 2012

TELSON RESOURCES INC.

(formerly - SOHO RESOURCES CORP.)

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
November 30, 2012

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under the National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated 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 has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of the Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

TELSON RESOURCES INC.
(formerly - SOHO RESOURCES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Expressed in Canadian dollars)

	November 30, 2012	February 29, 2012
ASSETS		
Current assets		
Cash	$ 5,977	$ 85,348
Receivables (Note 3)	64,964	341,322
Prepaid expenses and advances	29,135	75,072
	100,076	501,742
Exploration and evaluation assets (Note 4)	23,473,000	22,996,554
Equipment (Note 5)	13,443	19,205
	$ 23,586,519	$ 23,517,501
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade and other payables (Note 6)	$ 769,318	$ 643,706
Advances (Note 12)	223,165	30,000
Loans (Note 7)	299,342	270,827
Obligation under share purchase agreement (Note 4)	200,000	198,000
	1,491,825	1,142,533
Non-current liabilities		
Reclamation and remediation provision (Note 8)	168,411	168,630
	1,660,236	1,311,163
Shareholders' equity		
Share capital (Note 9)	42,689,349	42,411,856
Share subscriptions received (Note 9)	49,500	350,000
Share-based payments reserve (Note 10)	1,532,192	1,374,770
Deficit	(22,344,758)	(21,930,288)
	21,926,283	22,206,338
	$ 23,586,519	$ 23,517,501

Nature of operations and going concern (Note 1)
Commitments (Note 16)
Subsequent events (Note 17)

These condensed consolidated interim financial statements were approved by the Board of Directors on January 29, 2013.

On behalf of the Board:

"*Ralph Shearing*"	Director	"*John Lynch*"	Director
Ralph Shearing		John Lynch	

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

TELSON RESOURCES INC.
(formerly - SOHO RESOURCES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian dollars)

	Three months ended November 30, 2012	Three months ended November 30, 2011	Nine months ended November 30, 2012	Nine months ended November 30, 2011
EXPENSES				
Amortization	$ 897	$ 3,475	$ 5,762	$ 10,425
Business promotion	-	21,669	5,602	147,687
Communications	3,326	6,670	10,841	19,524
Consulting and financial services	9,750	70,788	70,957	147,320
Foreign exchange loss (gain)	11,208	58,235	12,701	90,598
Insurance	9,424	9,600	30,922	28,799
Interest and finance charges	429	-	1,143	-
Interest on loans	14,888	5,715	51,588	5,715
Office and miscellaneous	4,135	7,664	12,161	23,435
Professional fees	66,246	89,140	189,827	301,719
Regulatory fees	15,135	10,152	28,184	34,410
Rent	22,724	22,189	68,709	61,235
Salaries and benefits	77,964	76,887	219,240	220,461
Share-based payments (Note 13)	5,960	51,006	27,815	337,345
Transfer agent	1,424	6,048	3,721	9,115
Travel	685	23,699	7,751	83,789
	(244,195)	(462,937)	(746,924)	(1,521,577)
Interest income	145	445	3,561	3,028
Loss and comprehensive loss for the period	$ (244,050)	$ (462,492)	$ (743,363)	$ (1,518,549)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding	199,992,676	199,123,676	208,710,131	191,167,349

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

TELSON RESOURCES INC.
(formerly - SOHO RESOURCES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

	Three months ended November 30, 2012	Three months ended November 30, 2011	Nine months ended November 30, 2012	Nine months ended November 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (244,050)	$ (462,492)	$ (743,363)	$ (1,518,549)
Items not affecting cash				
Amortization	897	3,475	5,762	10,425
Bonus shares included in interest	6,713	3,427	27,464	3,427
Share-based payments expensed	5,960	8,490	27,815	337,345
Unrealized foreign exchange loss (gain)	8,256	(2,830)	2,831	(2,106)
Changes in non-cash working capital items:				
Receivables	7,822	2,452	276,358	(238,904)
Prepaid expenses and advances	10,600	(26,296)	45,938	(93,297)
Trade and other payables	101,277	133,908	115,152	632,016
Net cash used in operating activities	(102,525)	(297,350)	(242,043)	(869,643)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares	-	-	400,000	1,359,000
Share issue costs	-	-	(14,007)	(80,764)
Share subscriptions received	49,500	-	49,500	-
Advances	158,165	-	193,165	-
Loans	-	202,000	-	202,000
Net cash from financing activities	207,665	202,000	628,658	1,480,236
CASH FLOWS USED IN INVESTING ACTIVITIES				
Exploration and evaluation assets	(106,139)	(101,449)	(465,986)	(2,075,005)
Net cash used in investing activities	(106,139)	(101,449)	(465,986)	(2,075,005)
Increase (decrease) in cash during the period	(999)	(196,799)	(79,371)	(1,464,412)
Cash, beginning of period	6,976	224,827	85,348	1,492,440
Cash, end of period	$ 5,977	$ 28,028	$ 5,977	$ 28,028

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

TELSON RESOURCES INC.
(formerly - SOHO RESOURCES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian dollars)

For the Nine months ended November 30, 2012 and 2011

	Issued Number of Shares		Share Amount		Share Sub-scriptions Received		Share-based payments reserve		Deficit		Total
Balance, February 29, 2012	199,992,676	$	42,411,856	$	350,000	$	1,374,770	$	(21,930,288)	$	22,206,338
Share subscriptions received	-		-		449,500		-		-		449,500
Share units issued	12,500,000		312,500		(750,000)		437,500				-
Share units issued – finder fee	600,000		15,000		-		21,000		-		36,000
Share units issue costs			(50,007)								(50,007)
Share-based payments - warrants expiry (Note 10)	-		-		-		(96,000)		96,000		-
Share-based payments - options (Note 10)	-		-		-		27,815		-		27,815
Share-based payments - options expiry (Note 10)	-		-		-		(232,893)		232,893		-
Loss and comprehensive loss for the period	-		-		-		-		(743,363)		(743,363)
Balance, November 30, 2012	**213,092,676**	**$**	**42,689,349**	**$**	**49,500**	**$**	**1,532,192**	**$**	**(22,344,758)**	**$**	**21,926,283**

	Issued Number of Shares		Share Amount		Share Sub-scriptions Received		Share-based payments reserve		Deficit		Total
Balance, February 28, 2011	185,533,676	$	41,317,360	$	-	$	1,048,761	$	(20,353,074)	$	22,013,047
Share units issued	13,590,000		1,359,000		-		-		-		1,359,000
Share units issue costs	-		(101,354)		-		20,590		-		(80,764)
Share-based payments - loans (Note 7)	-		-		-		29,260		-		29,260
Share-based payments - options (Note 10)	-		-		-		337,345		-		337,345
Share-based payments - option expiry (Note 10)	-		-		-		(227,198)		227,198		-
Loss and comprehensive loss for the period	-		-		-		-		(1,518,549)		(1,518,549)
Balance, November 30, 2011	**199,123,676**	**$**	**42,575,006**	**$**	**-**	**$**	**1,208,758**	**$**	**(21,644,425)**	**$**	**22,139,339**

1. NATURE OF OPERATIONS AND GOING CONCERN

Telson Resources Inc. (formerly - Soho Resources Corp.) (the "Company") was incorporated on April 11, 1986 under the laws of British Columbia, Canada. The Company's head office address is Suite 250, 1090 West Georgia Street, Vancouver, BC, V6E 3V7, Canada. The registered and records office address is Suite 700, 595 Burrard Street, Vancouver, BC, Canada, V7X 1S8. The Company is a reporting issuer in the provinces of British Columbia and Alberta, Canada, and trades on the TSX Venture Exchange (TSX-V) under the symbol "TSN".

Effective January 16, 2013, the Company consolidated its common share capital on a eight to one basis. And at the same time, in accordance with TSX-V policies, the Company changed its name to Telson Resources Inc.

The Company is engaged in the identification, acquisition, exploration and, if warranted, development of exploration and evaluation assets consisting of mineral resource projects in Mexico ("mineral properties"). In conducting operations in Mexico, the Company is subject to considerations and risks not typically associated with companies operating in Canada. These include risks such as the political, economic and legal environments in an emerging market. Among other things, the Company's results may be adversely affected by changes in political and social conditions in Mexico, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The Company has not generated any production revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts spent for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These condensed consolidated interim financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The Company believes it does not have sufficient cash on hand to finance exploration activities and operations through the next twelve months without additional financing. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing for the substantial expenditures required to achieve planned principal operations.

These condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended February 29, 2012. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the Company's February 29, 2012 annual consolidated financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on January 29, 2013.

These condensed consolidated interim financial statements includes the accounts of the Company and its following listed subsidiaries:

Subsidiary name	Incorporation jurisdiction	Ownership
Samarkand de Mexico S.A. de C.V. ("Samarkand")	Mexico	100%
Sierra Soleada S.A. de C.V. ("Sierra")	Mexico	100%
Sacramento de la Plata S.A. de C.V. ("Sacramento")	Mexico	99%
531607 BC Ltd	BC, Canada	100%

3. RECEIVABLES

The receivable amounts relate to both Canadian and Mexican refundable value added taxes.

4. EXPLORATION AND EVALUATION ASSETS

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

Tahuehueto Project

In 1997, pursuant to a share purchase agreement through Samarkand, the Company acquired 90% of the issued and outstanding capital stock of Sacramento. In March 2007 the Company converted a portion of inter-company debt between Samarkand and Sacramento into equity, thereby increasing its ownership in Sacramento from 90% to 99%. Sacramento holds a 100% interest in the Tahuehueto mineral property, located in Durango State, Mexico. A portion of the property is subject to a 1.6% net smelter return royalty ("NSR").

Pursuant to the share purchase agreement, the Company is obligated to make final payments of US$200,000 to the vendors of the Sacramento shares.

(Unaudited - Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

In 2006, the Company entered into an agreement for surface access rights to certain areas of the Tahuehueto project, expiring in May 2016. Under the terms of this agreement the Company must pay an annual fee escalating at 5% per annum. The fee due for the 2013 fiscal year of US$26,801 (2012 - US$25,525) was paid in July 2012.

Jocuixtita Project

During the year ended February 28, 2010 the Company acquired mineral properties by staking and entered into two option agreements to explore and acquire a 100% interest in mineral properties located in Jocuixtita, Sinaloa, Mexico. The option agreements were amended on January 31, 2011. Pursuant to the amended option agreements, the Company must make option payments totaling US$1,010,000 over a period of six years, of which a maximum of US$372,660 may be paid by issuing common shares to the vendors. A portion of the optioned property is subject to a 2% NSR. The Company may acquire 1.75% of the 2% NSR by making a cash payment of US$612,500 to the vendors.

Due to an internal dispute amongst local residents the Company enforced a Force Majeure clause in the option agreements and suspended the January 31, 2012 payment due of US$150,000. During the year ended February 28, 2011, the Company paid the vendors US$75,000 and issued 480,483 common shares valued at $49,730 (US$50,000). The Company has elected to suspend exploration activities at the Jocuixtita Project until the dispute amongst local residents is resolved.

In May 2011, the Company entered into an agreement for surface access rights to certain areas of the Jocuixtita project, expiring in May 2041. Under the terms of this agreement the Company must pay an annual fee based on the area occupied, adjusted annually for inflation. The fee due for the 2012 fiscal year of MXN$174,493 (Cdn$14,030) was paid in June 2011. Fees for the 2013 fiscal year have not yet been determined, nor paid, as the Company is not carrying on exploration activities at this time.

Exploration and evaluation assets costs

Exploration and evaluation assets costs were incurred as follows:

	November 30, 2012		
	Tahuehueto	Jocuixtita	Total
Balance, beginning of period	$21,636,035	$1,360,519	$22,996,554
Assays, data and maps	14,702	-	14,702
Equipment and supplies	76,053	127	76,180
Geological consulting	3,785	-	3,785
Insurance	2,984	-	2,984
Mineral concession taxes, licences, and fees	74,812	9,584	84,396
Project office	102,147	3,769	105,916
Transportation, travel, and lodging	7,225	561	7,786
Wages and benefits	178,912	1,785	180,697
Exploration and evaluation assets costs incurred during the period	460,620	15,826	476,446
Balance, end of period	$22,096,655	$1,376,345	$23,473,000

(Unaudited - Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation assets costs (continued)

	February 29, 2012		
	Tahuehueto	Jocuixtita	Total
Balance, beginning of year	$20,756,798	$355,475	$21,112,273
Assays, data and maps	101,510	80,853	182,363
Drilling	159,892	375,342	535,234
Equipment and supplies	150,080	78,751	228,831
Geological consulting	-	68,857	68,857
Insurance	6,744	3,779	10,523
Mineral concession taxes, licences, and fees	59,310	30,534	89,844
Project office	139,581	84,288	223,869
Subcontractors and equipment rentals	44,726	157,628	202,354
Transportation, travel, and lodging	8,813	15,302	24,115
Wages and benefits	208,581	109,710	318,291
Exploration and evaluation assets costs incurred during the year	879,237	1,005,044	1,884,281
Balance, end of year	$21,636,035	$1,360,519	$22,996,554

5. EQUIPMENT

	Computer equipment	Office equipment	Leasehold improve-ments	Geological equipment	Total
Cost					
February 29, 2012 and November 30, 2012	$ 15,500	$ 62,092	$ 48,978	$ 9,632	$ 136,202
Accumulated amortization					
February 29, 2012	12,842	49,578	45,908	8,669	116,997
Amortization for the period	598	1,877	3,070	217	5,762
November 30, 2012	13,440	51,455	48,978	8,886	122,759
Net book value					
February 29, 2012	$ 2,658	$12,514	$3,070	$963	$19,205
November 30, 2012	$ 2,060	$10,637	$ -	$746	$13,443

6. TRADE AND OTHER PAYABLES

In Canadian dollars	November 30, 2012	February 29, 2012
Trade payables	$ 377,871	$ 270,077
Accrued liabilities	208,310	248,780
Interest on loans	33,364	9,225
Salaries payable	68,140	42,489
Employment, withholding, and value-added taxes	81,633	73,135
	$ 769,318	$ 643,706

7. LOANS

In Canadian dollars	November 30, 2012	February 29, 2012
Loan from a director in the amount of US$100,000 is unsecured, due on September 29, 2013(2), and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 297,000 shares with a value of $17,820 as a loan bonus.(1)	$ 100,000	$ 98,950
Loan from a director in the amount of $100,000 is unsecured, due on November 10, 2013(2), and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 286,000 shares with a value of $11,440 as a loan bonus.(1)	100,000	100,000
Loan from a director in the amount of $100,000 is unsecured, due on December 21, 2013(2), and bears interest at a rate of 10% per annum, compounded monthly. In connection with this loan the Company agreed to issue the lender 286,000 shares with a value of $11,440 as a loan bonus.(1)	100,000	100,000
	300,000	298,950
Value of loan bonus shares issued	(40,700)	(40,700)
Amortized to interest expense	40,042	12,577
Unamortized value of loan bonus shares	(658)	(28,123)
Net book value	$ 299,342	$ 270,827

(1) The value of the loan bonus shares is a financing cost and is amortized to interest expense over the original term of the loan.
(2) The lenders of each loan agreed to extend the loan maturity dates by a period of one year from the original 2012 due dates.

(Unaudited - Expressed in Canadian dollars)

8. RECLAMATION AND REMEDIATION PROVISION

		Reclamation and Remediation Provision
Balance, February 29, 2012	$	168,630
Change in liability estimate		(219)
Balance, November 30, 2012	$	168,411

The Company makes full provision for the future cost of site reclamation and remediation on a discounted basis at the time the exploration and evaluation activities take place. The reclamation and remediation provision represents the present value of reclamation and remediation costs relating to exploration and evaluation activities that have occurred to date.

9. SHARE CAPITAL

Authorized:
Unlimited common shares without par value
100,000,000 Class A preference shares with a par value of $1 per share
100,000,000 Class B preference shares with a par value of $5 per share

Fiscal 2013 Transactions

The Company completed a non-brokered private placement of 12,500,000 units of the Company. Each unit is priced at $0.06 per unit for total gross proceeds of $750,000. A value of $437,500 has been allocated to warrants to reflect the residual value of the warrant portion of the unit. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.10 within two years of its date of issuance. At February 29, 2012, the Company had received subscription payments of $350,000 relating to this private placement financing and during the period ended May 31, 2012 the Company received the remaining $400,000 proceeds to completed this private placement.

In connection with this financing; the Company paid finder's fees by issuing 600,000 units valued at $36,000, with the same terms as the private placement units; and incurred additional share issue costs of $14,007.

9. SHARE CAPITAL (continued)

Fiscal 2012 Transactions

The Company completed a non-brokered private placement of 13,590,000 units at $0.10 per unit for total proceeds of $1,359,000. A value of $203,850 has been allocated to warrants to reflect the residual value of the warrant portion of the unit. Each unit consisted of one common share and one-half of a transferable share purchase warrant. Each one whole share purchase warrant is exercisable for a period of two years at a price of $0.13 per share during the first year and at a price of $0.175 per share during the second year.

In connection with this financing the Company paid finders' fees of $60,000, and issued 480,000 non-transferable warrants with the same terms as the private placement units. These finders' fee warrants have been valued using the Black-Scholes option pricing model assuming a risk free interest rate of 0.82%, expected life of two years, annualized volatility of 115.31% and a dividend rate of 0%. The warrants' fair value of $20,590 was recorded as share issue costs offset to share-based payments reserve.

10. SHARE-BASED PAYMENTS RESERVE

A 2011 Stock Option Plan (the "Plan") was approved by the shareholders on November 3, 2011, at the Company's annual general meeting. Under the Plan, the Company is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company, on a rolling basis. Options may be granted at an exercise price of no less than a 25% discount of the market price on the date of the grant, or such higher price as determined by the board of directors. Options can be granted for a maximum term of 5 years. Vesting is not required but may be set on an individual basis as determined by the board of directors.

Share-based payments

During the period ended November 30, 2012, the Company granted 850,000 (November 30, 2011 – 1,525,000) stock options. The options vested either at 100%; or at 25% upon the date of grant, and then at a rate of 25% every 3 months thereafter, until fully vested. The options have a term of 5 years.

For the period ended November 30, 2012, the total fair value of options granted using the Black-Scholes option pricing model was $16,130 (November 30, 2011 – $82,210). A total of $27,815 (November 30, 2011 – $337,345) was charged to operations; all offset to share-based payments reserve. The weighted average fair value of the options granted during the period was $0.02 (November 30, 2011 – $0.05) per option.

During the period ended November 30, 2012, 825,000 (November 30, 2011 – 900,000) options previously issued as share-based payments with a fair value of $232,893 (November 30, 2011 – $227,198) expired without being exercised. The previously recorded historical fair value of these options was transferred from reserve to deficit.

(Unaudited - Expressed in Canadian dollars)

10. SHARE-BASED PAYMENTS RESERVE (continued)

Share-based payments (continued)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	November 30, 2012	November 30, 2011
Risk-free interest rate	1.49%	1.73%
Expected life of options/warrants	5 Years	5 Years
Annualized volatility	132.43%	120.99%
Dividend rate	0%	0%

As at November 30, 2012 the Company had outstanding stock options as follows:

Number of Shares	Number Vested and Exercisable	Exercise Price	Weighted average remaining life (years)	Expiry Date
3,465,000	3,465,000	$0.10	1.30	March 20, 2014
425,000	425,000	$0.10	1.42	May 1, 2014
550,000	550,000	$0.10	2.75	September 1, 2015
500,000	500,000	$0.10	1.00	December 1, 2013
325,000	325,000	$0.10	3.00	December 1, 2015
5,025,000	5,025,000	$0.115	3.17	February 1, 2016
50,000	50,000	$0.10	3.34	April 1, 2016
575,000	575,000	$0.10	3.67	August 1, 2016
500,000	500,000	$0.10	3.84	October 1, 2016
600,000	600,000	$0.10	4.01	December 1, 2016
450,000	450,000	$0.10	4.42	May 1, 2017
400,000	400,000	$0.10	4.76	September 1, 2017
12,865,000	12,865,000		2.68	

(Unaudited - Expressed in Canadian dollars)

10. SHARE-BASED PAYMENTS RESERVE (continued)

Share-based payments (continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2011	11,865,000	$ 0.11
Granted	2,125,000	$ 0.10
Expired/cancelled	(1,150,000)	$ 0.10
Balance, February 29, 2012	12,840,000	$ 0.11
Granted	850,000	$ 0.10
Expired/cancelled	(825,000)	$ 0.10
Balance, November 30, 2012	12,865,000	$ 0.11
Exercisable, November 30, 2012	12,865,000	$ 0.11

Warrants

As at November 30, 2012 the following share purchase warrants were outstanding:

Number of Shares	Exercise Price	Weighted average remaining life (years)	Expiry Date
15,290,000	$ 0.15	0.15	January 24, 2013(1)
7,275,000	$0.175(2)	0.69	August 9, 2013
6,550,000	$ 0.10	1.50	June 1, 2014
29,115,000		0.59	

(1) Subsequent to the period end, these warrants expired without being exercised.
(2) The exercise price of these warrants increased to $0.175 on August 9, 2012.

(Unaudited - Expressed in Canadian dollars)

10. SHARE-BASED PAYMENTS RESERVE (continued)

Warrants (continued)

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2011	25,519,750	$ 0.13
Granted	7,275,000	$ 0.13
Expired/Forfeited	(229,750)	$ 0.15
Balance, February 29, 2012	32,565,000	$ 0.13
Granted	6,550,000	$ 0.10
Expired/Forfeited	(10,000,000)	$ 0.10
Balance, November 30, 2012	29,115,000	$ 0.14

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	November 30, 2012	November 30, 2011
Cash paid during the year for interest	$ 1,143	$ -
Cash paid during the year for income taxes	$ -	$ -

Significant non-cash transactions during the period ended November 30, 2012 included:

a) The accrual of deferred exploration costs of $163,988 at November 30, 2012.
b) The reallocation of $232,893 for expired options from share-based payments reserve to deficit.
c) The reallocation of $96,000 for expired warrants from share-based payments reserve to deficit.
d) The issuance of 600,000 units valued at $36,000 for a finder's fee.

Significant non-cash transactions during the period ended November 30, 2011 included:

a) The accrual of loan interest expense of $2,288.
b) Deferred financing costs of $3,427 were charged to interest expense.
c) The accrual of deferred exploration costs of $267,562 at November 30, 2011.
d) The issuance of 480,000 warrants valued at $$20,590 for a finder's fee.

(Unaudited - Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS

The Company's related parties consist of key management personnel including individuals who are executive officers and/or directors of the Company, or are directly related to a director of the Company.

The Company incurred the following fees and expenses in connection with compensation of individuals who are key management and directors.

		November 30, 2012		November 30, 2011
Interest on loans	$	24,124(1)	$	2,288(1)
Professional fees		88,000		107,225
Salaries and benefits		117,000		117,000
Share-based payments		8,956		293,943
	$	238,080	$	520,456

(1) Excluding $27,464 charged to interest expense in the period ended November 30, 2012 (November 30, 2011 - $3,427) for the amortized value of loan bonus shares issued in fiscal 2012.

Trade and other payables include the following amounts owed to related parties:

		November 30, 2012		February 29, 2012
Consulting fees	$	10,000	$	10,000
Interest payable		33,364		9,327
Professional fees		16,240		-
Salaries		88,000		56,000
	$	147,604	$	75,327

During the year ended February 29, 2012, the Company received a cash advance of $30,000 from a director. And during the current period the Company received additional cash advances of $193,165 from directors of the Company. These cash advances are unsecured, non interest-bearing and have no fixed terms of repayment (Note 17).

During the year ended February 29, 2012 the Company received three loans from two directors of the Company (Note 7).

(Unaudited - Expressed in Canadian dollars)

13. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of mineral property interests in Mexico. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets located in Mexico and equipment located in Canada.

Geographical information is as follows:

	November 30, 2012	February 29, 2012
Capital assets are located in:		
Mexico	$ 23,473,000	$ 22,996,554
Canada	13,443	19,205
	$ 23,486,443	$ 23,015,759

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, trade and other payables, advances, and loans approximate their fair value because of the short-term nature of these instruments.

Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

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

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

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

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instrument risk exposure and risk management (continued)

The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related party approximate their carrying values. The Company's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash 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 tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

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. The Company has trade and other payables, advances, and loans.

Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates.

Foreign currency risk

The Company is exposed to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars. The Company operates in foreign jurisdictions which use both the United States Dollar ("US$") and the Mexican Peso ("MXN$") as the main settlement currencies. The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations. The effect of a 1% change in foreign exchange rates would be approximately $3,400.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

15. CAPITAL RISK MANAGEMENT

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand and balances with banks. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value
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There have been no changes to the Company's approach to capital management during the period ended November 30, 2012. The Company is not subject to externally imposed capital requirements.

16. COMMITMENTS

The Company has the following commitments at November 30, 2012:

a) The Company rents its office premises under an operating lease until June 2012. Subsequent to the period end, this lease was renewed until June 2014. The operating lease commitment, including rent plus estimated common area costs, is approximately $100,000 per annum.

b) The Company rents office and warehouse space in Mexico under operating leases until May 2013 at a total monthly rent of MXN$24,000 (Cdn$2,000).

17. SUBSEQUENT EVENTS

Subsequent to November 30, 2012:

a) Effective January 16, 2013 the Company consolidated its common shares (the “Consolidation”) on the basis of one (1) post-consolidation common share for every eight (8) pre-consolidated common shares held (the “Consolidation Ratio”). The Consolidation was approved by the shareholders at the Company’s Annual General and Special Meeting held on December 21, 2012 (the “AGM”). As at the date of the AGM, the Company had 213,092,676 common shares issued and outstanding. After the Consolidation the Company has 26,636,616 common shares issued and outstanding.

b) The Company initiated a non-brokered private placement of up to 6,000,000 units (post-consolidation) of the Company. Each unit is priced at $0.10 per unit for total gross proceeds of up to $600,000. Each unit is comprised of one common share of the Company and one half of a two year transferable share purchase warrant. Each one whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at $0.10 within two years of its date of issuance.

   The Company has received subscription payments of $330,000 relating to this private placement financing. The shares have not yet been issued.

c) During December 2012 and January 2013, the Company received cash advances totalling $17,500 from a Director and from an Officer. These cash advances are unsecured, non interest-bearing and have no fixed terms of repayment.