VENDOME RESOURCES CORP.

(formerly VENDOME CAPITAL II CORP.)

ANNUAL FINANCIAL STATEMENTS

FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

Wasserman
Ramsay
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Vendome Resources Corp.:

We have audited the accompanying consolidated financial statements of Vendome Resources Corp. and its subsidiary, which comprise the consolidated statements of financial position as at February 29, 2012, February 28, 2011 and March 1, 2010 and the consolidated statements of loss and comprehensive loss, and cash flows and changes in equity for the years ended February 29, 2012 and February 28, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vendome Resources Corp. and its subsidiary as at February 29, 2012, February 28, 2011 and March 1, 2010 and the results of its operations and cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to these consolidated financial statements, which states that Vendome Resources Corp. has incurred significant losses from operations and has an accumulated deficit. This, along with other matters as described in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

Wasserman Ramsay

Markham, Ontario
June 28, 2012

Chartered Accountants
Licensed Public Accountants

Consolidated Statements of Financial Position

(In Canadian dollars)

As at	Note	February 29, 2012	February 28, 2011	March 1, 2010
			(Note 16)	(Note 16)
ASSETS				
CURRENT				
Cash and Cash equivalents	13	$ 453,461	$ 398,862	$ 121
Qualifying transaction funds		$ -	$ -	$ 161,109
Interest and sundry receivable	13	$ 157,060	$ 14,943	$ 1,947
Prepaid expenses		$ 67,173	$ 11,465	$ 4,167
Marketable securities	13	$ 103,950	$ -	$ -
		$ 781,644	$ 425,270	$ 167,344
EXPLORATION PROPERTIES	6	$ 1,810,642	$ 845,581	$ -
PREPAID QUALIFYING TRANSACTION COSTS		$ -	$ -	$ 91,962
		$ 2,592,286	$ 1,270,851	$ 259,306
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	13	$ 71,026	$ 33,797	$ 24,199
		$ 71,026	$ 33,797	$ 24,199
SHAREHOLDERS' EQUITY				
CAPITAL STOCK				
Issued and Outstanding	7	$ 3,957,929	$ 1,715,019	$ 400,135
CONTRIBUTED SURPLUS	7	$ 248,364	$ 82,885	$ 11,547
ACCUMULATED OTHER COMPREHENSIVE INCOME		$ (1,125)	$ -	$ -
ACCUMULATED DEFICIT		$ (1,683,908)	$ (560,850)	$ (176,575)
		$ 2,521,260	$ 1,237,054	$ 235,107
		$ 2,592,286	$ 1,270,851	$ 259,306

See Note 1 Nature of Organization and Going Concern

Approved on behalf of the Board on June 28, 2012:

/s/ "Franz Kozich"
Director

/s/ "Andrew McQuire"
Director

Accompanying notes form an integral part of these financial statements

Consolidated Statement of Comprehensive Loss
(In Canadian dollars)

	Note	Years Ended 29-Feb-12	28-Feb-11
EXPENSES			
General and administrative expenditures		$ 346,395	$ 128,236
Professional fees		$ 182,414	$ 45,602
Marketing and business development		$ 215,019	$ 69,390
Exploration expenditures		$ -	$ 81,962
Share based payments	7 (ii)	$ 179,845	$ 59,550
		$ 923,673	$ 384,740
LOSS BEFORE UNDERNOTED		$ (923,673)	$ (384,740)
Loss on sale of property	6 (i)	$ (164,285)	$ -
Fair value adjustment on marketable securities	13	$ (35,100)	$ -
Interest income		$ -	$ 465
NET LOSS FOR THE YEAR		$ (1,123,058)	$ (384,275)
OTHER COMPREHENSIVE LOSS			
Foreign currency translation difference		$ (1,125)	$ -
COMPREHENSIVE LOSS FOR THE YEAR		$ (1,124,183)	$ (384,275)
NET LOSS PER COMMON SHARE			
Basic and diluted		$ 0.04	$ 0.03
Weighted Average number of common shares outstanding - basic and diluted		30,423,404	14,308,455

Accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

(In Canadian dollars)

	Note	Years Ended 29-Feb-12	28-Feb-11
Net Loss for the year		$ (1,123,058)	$ (384,275)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Adjustments for:			
Fair value adjustments on fair value through profit and loss investments	13	$ 35,100	$ -
Share based payments	7 (ii)	$ 179,845	$ 59,550
Foreign currency transaction difference		$ (1,125)	$ -
Loss on sale of property		$ 164,285	
		$ (744,953)	$ (324,725)
Change in non-cash working capital items:			
Decrease (increase) in interest and sundry receivables		$ (142,117)	$ (12,996)
Prepaid expenses		$ (55,708)	$ (7,298)
Increase (decrease) in accounts payable and accrued liabilities		$ 37,229	$ 63,574
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES		$ (905,549)	$ (281,445)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Advances from notes payables		$ -	$ 535,000
Reimbursements to notes payables		$ -	$ (535,000)
Issuance of capital stock for cash		$ 1,342,919	$ 823,350
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		$ 1,342,919	$ 823,350
CASH FLOWS FROM INVESTING ACTIVITIES:			
Qualifying transaction funds		$ -	$ 161,109
Investment in exploration property	6	$ (382,771)	$ (304,273)
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES		$ (382,771)	$ (143,164)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		$ 54,599	$ 398,741
CASH AND CASH EQUIVALENTS Beginning of Year		$ 398,862	$ 121
CASH AND CASH EQUIVALENTS End of Year		$ 453,461	$ 398,862
SUPPLEMENTAL INFORMATION			
Interest received		-	503
NON-CASH FINANCING AND INVESTING ACTIVITIES:			
Common share issued for exploration properties		$ 885,624	$ 445,250
Marketable securities received on sale of exploration properties issued for exploration properties		$ 139,050	$ -

Accompanying notes form an integral part of these financial statements

Consolidated Statements of Shareholders' Equity
(In Canadian dollars)

	Number of Common Shares	Capital Stock: Common Shares	Capital Stock: Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Shareholders' Equity
Balance, February 28, 2010	6,700,000	$ 400,135	$ -	$ 11,547	$ -	$ (176,575)	$ 235,107
Issuance for cash	10,000,000	$ 579,589	$ 4,928				$ 584,517
Issuance for debt settlement	547,500	$ 47,767	$ 6,209				$ 53,976
Issuance for exploration property	1,775,000	$ 445,250					$ 445,250
Issuance upon exercise of stock options	135,000	$ 15,092		$ (1,592)			$ 13,500
Issuance upon exercise of warrants	1,918,333	$ 227,186	$ (1,853)				$ 225,333
Issued in conjunction with notes payable			$ 4,096				$ 4,096
Vesting of incentive stock options				$ 59,550			$ 59,550
Net loss						$ (384,275)	$ (384,275)
Balance, February 28, 2011	21,075,833	$ 1,715,019	$ 13,380	$ 69,505	$ -	$ (560,850)	$ 1,237,054
Issuance of common shares for cash	5,165,166	$ 696,934	$ 11,098				$ 708,032
Issuance of stock options				$ 179,845			$ 179,845
Issuance for exploration property	4,875,000	$ 885,625					$ 885,625
Issuance upon exercise of stock options	264,000	$ 29,514		$ (3,114)			$ 26,400
Issuance upon exercise of warrants	5,862,368	$ 611,922	$ (5,563)	$ 2,128			$ 608,487
Foreign currency translation differences					$ (1,125)		$ (1,125)
Net loss						$ (1,123,058)	$ (1,123,058)
Balance, February 29, 2012	37,242,367	$ 3,939,014	$ 18,915	$ 248,364	$ (1,125)	$ (1,683,908)	$ 2,521,260

Accompanying notes form an integral part of these financial statements

Notes to the Consolidated Financial Statements
(In Canadian dollars)

1. Nature of Organization and Going Concern

Description of the Business
Vendome Resources Corp. (the "**Company**") was incorporated on February 27, 2007 pursuant to the Business Company Act (Ontario) and was classified as a capital pool company as defined in the TSX Venture Exchange ("**TSXV**") Policy 2.4. On April 13, 2010, the Company acquired the Guibord Properties (Note 6) and this transaction constituted as the Company's qualifying transaction. As such, the Company is now engaged in the exploration of base metals and precious metals. All interests held are currently in the exploration stage. The registered office of the Company is 133 Richmond St., Suite 403, Toronto, Ontario.

These consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the directors on June 28, 2012..

The Company's principal assets are mining claims and deferred exploration costs relating to properties which are not in commercial projects. The Company is in the process of exploring its mining claims and has not yet determined whether or not the properties will contain economically recoverable reserves.

These consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. As is common with exploration companies, the Company is dependent upon obtaining equity financings to fund future exploration expenditures and cover administrative costs. The following items cast doubt upon the the validity of the going concern assumptions: the Company has incurred losses in the current and prior periods, with a current net loss of $1,137,105 (2011 - $384,275) and has an accumulated deficit of $1,697,955 (2011 - $560,850). In the event that the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain or complete the exploration of its property interests. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern.

2. Basis of Preparation

Statement of Compliance
These consolidated financial statements represent the first annual financial statements of the Company and its subsidiaries prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and effective as of February 29, 2012. The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was March 1, 2010. In accordance with IFRS, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of March 1, 2010, as required; and
- applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

The Company's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting, measurement and consolidation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 16 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income along with line-by-line reconciliations of the statement of financial position as at March 31, 2010 and February 28, 2011 and the income statement and statement of comprehensive income for the year ended February 28, 2011.

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets which are recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

2. Basis of Preparation *- continued*

Basis of Consolidation
The consolidated financial statements of the Company include the accounts of its subsidiary. The results of Vendome Minas, S.A. de C.V. ("**VDR Mexico**") are included in the accounts of the Company as VDR Mexico is a wholly owned subsidiary of the Company. The consolidated financial statements have been prepared to represent the activities of VDR Mexico from the date that it commenced its operations, which is January 1, 2011.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is Company's functional currency.

3. Summary of Significant Accounting Policies

(i) Cash
Cash consists of cash and cash equivalents with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

(ii) Impairment of financial assets
Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

(iii) Exploration Properties
The Company capitalizes all costs related to investments in mineral property in which it holds a legal interest on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries, and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered. Exploration expenditure relates to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within property, plant and equipment. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company has determined that all of its mineral property interests are exploration stage properties.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

3. Summary of Significant Accounting Policies *– continued*

(iv) Deferred Financing Costs

Financing costs related to any proposed financings are recorded as deferred financing costs. These costs will be deferred until the financing is completed, at which time the costs will be charged against the proceeds received. If the financing does not close, the costs will be charged to operations.

Incremental costs incurred in respect of raising capital are charged against equity or debt proceeds raised. Costs associated with the issuance of share capital are charged to capital stock upon the raising of share capital.

(v) Income taxes and deferred taxes

The income tax expense or benefit for the period consists of two components: current and deferred. Income tax expense or benefit is recognized in the consolidated Statement of Comprehensive Loss except to the extent it relates to a business combination or items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in each of the jurisdictions and includes any adjustments for taxes payable or recovery in respect of prior periods.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. To the extent that the Company does not consider it to be probable that taxable profits will be available against which deductible temporary differences can be utilized, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(vi) Warrants

The Company measures the fair value of warrants issued using the Black-Scholes option pricing model. The fair value of each warrant is estimated based on their respective issuance dates taking into account volatility, expected life, the dividend rate, and the risk free interest rate. The fair value of warrants issued to agents in conjunction with an offering is charged to share issue costs with an offsetting amount recorded to Contributed Surplus.

The fair value of warrants exercised is recorded as share capital, and the fair value of any expired warrants is recorded as Contributed Surplus.

(vii) Foreign Currency Translation

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 subsidiary 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

Notes to the Consolidated Financial Statements
(In Canadian dollars)

3. Summary of Significant Accounting Policies *– continued*

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 Consolidated Statement of Comprehensive Loss.

Assets and liabilities the Company's subsidiary are translated at the period end rates of exchange, and the results of its 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.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents and certain intercompany loans that are not permanent in nature are presented in the income statement within “General and administrative expenditures”.

References to “$” are to Canadian dollars.

(viii) Earnings Per Share

Earnings per share is calculated using the weighted average number of shares outstanding during the period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the period. The difference between the number of shares assumed and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation.

(ix) Financial Instruments

Financial instruments are classified into one of the following four categories: loans and receivables; fair value through profit or loss; held-to-maturity; and available-for-sale. Financial assets are initially measured at fair value. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications, as follows:

- Financial assets and financial liabilities at fair value through profit and loss include financial assets and financial liabilities that are held for trading or designated upon initial recognition as at fair value through profit and loss. These financial instruments are measured at fair value with changes in fair values recognized in the consolidated Statement of Comprehensive Loss.

- Financial assets classified as available-for-sale are measured at fair value, with changes in fair values recognized as Other Comprehensive Income (“OCI”) in the Statement of Comprehensive Loss, except when there is objective evidence that the asset is impaired, at which point the cumulative loss is recognized within the consolidated Statement of Comprehensive Loss.

- Financial assets classified as held-to-maturity and loans and receivables are measured subsequent to initial recognition at amortized cost using the effective interest method.

- Financial liabilities, other than financial liabilities classified as fair value through profit and loss, are measured in subsequent periods at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a short period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

3. Summary of Significant Accounting Policies *– continued*

The Company measures its financial assets and financial liabilities initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Company has classified its financial instruments as follows:

Asset/ Liability	Classification	Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Marketable securities	Fair value through profit or loss	Fair value
Interest and sundry receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

The Company had no held-to-maturity or available-for-sale financial assets as at March 1, 2010, February 28, 2011, and February 29, 2012.

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the income statement.

The fair values of the Company's cash and cash equivalents, amounts receivable and accounts payable approximate their carrying values because of the immediate or short-term to maturity of these financial instruments.

(x) Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(xi) Flow-through Shares

The Company may, from time to time, issue flow-through common shares to finance its resource exploration activities in Canada. Canadian income tax law permits the Company to renounce to the flow-through shareholders the income tax attributes of resource exploration costs financed by such shares. Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as another liability which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded prospectively upon renunciation of the related tax benefits, provided it is expected the Company will incur the required eligible expenditures.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, are recognized as a recovery of deferred income taxes in net income. The Company has not issued flow-through shares as at February 29, 2012 and February 28, 2011.

(xii) Share-based Payments

Stock options issued by the Company are accounted for in accordance with the fair value based method. The fair value of options issued to directors, officers, employees of and consultants to the Company is charged to earnings over the vesting period of each tranche (graded vesting) with the offsetting amount recorded to Contributed Surplus. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

3. Summary of Significant Accounting Policies *- continued*

The historical forfeiture rate is also factored in to the calculations. When options are exercised, the amount received, together with the amount previously recorded in contributed surplus are added to capital stock.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

When options are exercised, the amount received, together with the amount previously recorded in Contributed Surplus are added to Capital Stock.

(xiii) Impairment of non-financial assets (excluding inventories, investment properties and deferred taxes)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("**CGUs**").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income.

(xiv) Fair Value Hierarchy

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(xv) Segment reporting

In accordance with IFRS 8, Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board of Directors in order to assess each segment's performance. In this regard, the Company conducts its business in a two operating units, representing the geographic locations of the operations: Canada and Mexico.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

3. Summary of Significant Accounting Policies *– continued*

(xvi) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in note 4.

(xvii) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at February 29, 2012, February 28, 2011 and March 1, 2010.

(xviii) Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Corporation has no material restoration, rehabilitation and environmental costs as at Febuary 29, 2012, February 28, 2011 and March 1, 2010 as the disturbance to date is minimal.

4. Summary of Accounting Estimates and Judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and judgments that, in managements' opinion, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

4. Summary of Significant Accounting Policies *– continued*

(i) Fair Value of Financial Instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

(ii) Impairment of non-financial assets

Exploration properties are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration property may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company measures, presents and discloses any resulting impairment loss in accordance with IFRS.

Impairment is assessed by management using key impairment indicators of IFRS 6 - *Exploration for and evaluation of mineral resources*, such assessment is subject to uncertainty.

(iii) Share-based payment transactions

The Company measures the cost of share-based payment transactions with employees by reference to the fair value of the equity instruments. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility and dividend yield of the share option. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 7 (ii).

(iv) Taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(v) Restoration rehabilitation and environmental obligations

Management's assumption of no material restoration, rehabilitation and environmental obligations is based on facts and circumstances, which may be open to interpretation, that existed during the period.

5. Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("**IFRIC**") that are mandatory for accounting periods beginning on or after January 1, 2011. The standards impacted that are applicable to the Company are as follows:

i) IFRS 3 'Business Combinations (Revised) effective for annual periods beginning on or after July 1, 2009, have been enhanced to, amongst other matters, specify the accounting treatments for acquisition costs, contingent consideration, pre existing relationships and reacquired rights. The revised standard includes detailed guidance in respect to step acquisitions and partial disposals of subsidiaries and associates as well as in respect to allocation of income to non-controlling interests. Further, an option has been added to IFRS 3 to permit an entity to recognize 100 per cent of the goodwill of an acquired entity, not just the acquiring entity's portion of the goodwill. The impact of this standard on the Company will be assessed when a business combination transaction occurs.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

5. Recent accounting pronouncements *- continued*

ii) IFRS 9, 'Financial Instruments' was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment and hedge accounting. The Company is currently assessing the impact of this standard and does not plan on early adopting.

iii) In May 2011, the IASB issued the following standards which have not yet been adopted by the Company IFRS 10, Financial Statements ("IFRS 10"), IFRS 11, Joint Arrangements ("IFRS 11"), IFRS 12, Disclosure of Interest in Other Entities ("IFRS 12") and IFRS 13, Fair Value Measurement ("IFRS 13"). Each of these new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new standards will have on its financial statements and annual financial statements or whether to early adopt any of the new requirements.

iv) IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee ("SIC")-1212 Consolidation - Special Purpose Entities and parts of IAS 27 and Separate Financial Statements.

v) IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operations. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operations.

Under existing IFRS, entities have the choice between proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Ventures.

vi) IFRS 12 establishes disclosure requirements for interest in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interest in other entities.

vii) IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value 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. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

5. Recent accounting pronouncements *- continued*

viii) Amendments to IAS 27 Consolidated and Separate Financial Statements: This Amendment affects in particular the treatment of non-wholly-owned subsidiaries. Transactions which increase or decrease the interest in a subsidiary without altering control will no longer give rise to changes in the carrying value of the subsidiary's assets or liabilities (including its associated goodwill) and will not give rise to a gain or loss. Any difference between the consideration paid or received and the adjustment to the carrying value of the non-controlling interest will be recognized directly in equity. In addition, total comprehensive income must now be attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. Previously, unfunded losses in such subsidiaries would be attributed entirely to the group. The Amendment does not require the restatement of previous transactions and has had no effect on the current financial year.

6. Exploration Properties

The following is a summary of the Company's investment in exploration properties:

	Guibord Ontario	Ivanhoe Ontario	La Diana Mexico	San Miguel Mexico	San Javier Mexico	Total
Balance, March 1, 2010	$ -	$ -	$ -	$ -	$ -	$ -
Acquisition costs	$ 143,286	$ 123,673	$ 510,668			$ 777,627
Exploration costs		$ 5,723	$ 62,231			$ 67,954
Balance, February 28, 2011	$ 143,286	$ 129,396	$ 572,899	$ -	$ -	$ 845,581
Acquisition costs	$ -	$ 73,125	$ 195,000	$ 487,550	$ 295,000	$ 1,050,675
Exploration costs	$ 160,049	$ 44,407	$ 13,265	$ -	$ -	$ 217,721
Sale of land	$ (303,335)					$ (303,335)
Balance, February 29, 2012	-	$ 246,928	$ 781,164	$ 487,550	$ 295,000	$ 1,810,642

(i) Guibord, Ontario

The Company entered into an Earn in Option Agreement ("**Agreement**") on August 31, 2009 with Richmond Minerals Inc. ("**Richmond**"). The Agreement permits the Company to earn a 51% interest in the Guibord Property, upon the payment of CA $25,000 ($10,000 upon signing and $15,000 within 30 days of closing and 600,000 common shares of Vendome to Richmond within one year of receiving the Final Exchange Bulletin ("**FEB**") with a deemed value of $0.11 per common shares. The Agreements requires that 600,000 common shares be issued as follows: (i) 400,000 common shares at closing; and (ii) 200,000 common shares within 1 year of anniversary of the FEB. As well, the Company is to incurring a minimum of CA $250,000 in exploration expenditure within 2 years of the FEB, being April 14, 2012.

The Guibord Property is located approximately 80 kilometers east of the City of Timmins, 16 kilometers east of the Town of Matheson and 45 kilometers northwest of the Town of Kirkland Lakw within the Abitibi Greenstone belt and is approximately 1,280 acres (518 hectares) in size and consists of 32 unpatented mining claims within the confines of four claim blocks located in the northwest quarter of the Guibord Township, Ontario.

On September 15, 2011, the Company announced that an agreement had been reached with Lake Shore Gold Corp. ("**Lake Shore**") to relinquish its rights in the Guibord Property in return for 67,500 common shares of Lake Shore and 33,750 Lake Shore purchase warrants ("LSPW"), where each LSPW entitles the holder to purchase one additional common share of Lake Shore at a price of $3.00 for a period of two (2) years.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

6. Exploration Properties *- continued*

(ii) Ivanhoe, Ontario

Under the terms of the option agreement to acquire these claims, the Company is to pay the vendors $62,000 in cash and issue 1,500,000 common shares of the Company. The vendors will also receive a 3% net smelter royalty. Specifically, the Company paid $15,000 and issue 375,000 shares upon obtaining regulatory requirements in September 2010. Further payments of $15,000 and 375,000 common shares of the Company will be due to the vendors on the anniversary date of the signing of the agreement over the next three years. The Company is required to incur $250,000 in exploration expenses by the 3rd anniversary date and may purchase 50% of the net smelter royalty at any time for a payment of $3,000,000 to the vendors.

(iii) La Diana, Mexico

The Company entered in to an agreement in principal to acquire a 50% interest in the La Diana property from Camsim Minas SA DE CV ("Camsim"). Under the terms of the agreement, the Company must pay Camsim $250,000 in cash; issue 3,000,000 common shares of the Company, and incur exploration expenses of $3,000,000. Specifically, the Company is to pay $200,000 and issue 1,000,000 common shares of the Company upon obtaining regulatory approval, which was obtained in the prior year. During the current year the Company paid an additional $50,000 in cash and issued 1,000,000 common shares. In order to complete the option agreement the company must issue a third tranche of 1,000,000 common shares of the Company on the second year anniversary of the executed agreement. In addition, the Company will be required to incur $3,000,000 ($1,500,000 by the end of 2nd anniversary date of the agreement and a further $1,500,000 by the end of the 3rd anniversary date of the agreement) in exploration expenses.

The mineral rights to the La Diana property are 100% held by Camsim. The property covers 14,722 hectares and is located in the Eastern portion of the State of Guerrero, Southern Mexico, within the heart of the famous precious metals belt of Mexico known as the Sierra Madre del Sur.

(iv) San Miguel Property, Mexico

In July 2011, the Company agreed to acquire the San Miguel property ("**San Minguel Property**") from Santa Claws Minas., De C.V. subject to regulatory approval. The San Miguel Property is located within the southern portion of the Sierra Madre del Sur precious metal belt in the State of Guerrero, Mexico. The San Miguel Property is approximately 2,000 hectares in size and is surrounded by the 14,722 hectare La Diana Property. The Company is to pay $25,000 and issue 2,500,000 common shares of the Company to Santa Claws Minas S.A., de C.V. upon obtaining regulatory approval.

(v) San Javier Property, Mexico

On December 1, 2011, VDR Mexico has entered into an agreement to acquire from Camsim Minas S.A. de C.V. ("Camsim") an earn-in option for a 50% undivided interest in and to the San Javier Mine property (the "Property") located within the municipality of Malinaltepec, State of Guerrero, Mexico.

The Property is 253 hectares in size and is host to silver-gold-lead-zinc epithermal vein mineralization typical of polymetallic deposits found within the Sierra Madre del Sur precious metal belt. Veins on the Property are host to a variety of sulphide minerals such as pyrite, chalcopyrite, argentite, galena, sphalerite, and arsenopyrite. The Company will pay $75,000 cash and issue 1,000,000 common shares to Camsim upon signing of the earn-in option agreement. Vendome will also issue 1,000,000 common shares to Camsim on each of the first and second anniversaries of the effective date of the agreement, and make a final cash payment of $250,000 and issue 800,000 common share to Camsim on the third anniversary date. The Company must also expend $2,600,000 exploring the property prior to the third anniversary date of the agreement.

The San Javier Property was acquired from a Company controlled by an individual who is related to a board member of the Company.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

7. Shareholders' Equity

(i) Share capital and contributed surplus

Authorized and issued
The Company is authorized to issue an unlimited number of commons shares. The issued and outstanding common shares are as follows:

	February 29, 2012	February 28, 2011
Shares issued and fully paid:		
Beginning of the year	21,075,833	6,700,000
Stock-options exercised	264,000	135,000
Warrants exercised	5,862,368	1,918,333
Share issue	5,165,166	10,000,000
Issued for debt settlement	-	547,500
Issued for mining claims	4,875,000	1,775,000
Shares issued and fully paid end of yea	37,242,367	21,075,833

Of the issued and outstanding common shares, there are 1,440,000 that are held in escrow as at the balance sheet date and shall be released as follows:

Date	Quantity
April 15, 2012	480,000
October 15, 2012	480,000
April 15, 2013	480,000

(ii) Stock Options

The Company's Stock Option Plan ("the "**Plan**") provides for the issuance of a maximum of 10% of the issued and outstanding common shares at an exercise price equal or greater than the market price of the Company's common shares on the date of the grant to directors, officers, employees and consultants to the Company. The option period for options granted under the Plan is for a maximum period of 5 years. Options granted may vest over certain time periods within the option period, which will limit the number of options that may be exercised. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option.

The fair value of the options was based on the Black-Scholes option-pricing model. The following assumptions were used to value them:

	February 29, 2012	February 28, 2011
Weighted average share price	$ 0.130	$ 0.063
Weighted average exercise price	$ 0.200	$ 0.175
Weighted average expected volatility	178%	37.4%
Weighted average expected option life	3.8 years	5 years
Weighted average expected dividend yield	0%	0%
Weighted average risk-free interest rate	1.24%	2.00%

Notes to the Consolidated Financial Statements
(In Canadian dollars)

***7. Shareholders' Equity** - continued*

The stock options activity is summarized below:

	February 29, 2012			February 28, 2011		
	Number of units		Weighted average exercise price		Number of units		Weighted average exercise price
Balance at beginning of period	1,422,000	$	0.15		607,000	$	0.10
Granted during the period	1,680,000	$	0.20	$	950,000	$	0.18
Exercised during the period	(364,000)	$	0.12	$	(135,000)	$	0.10
Balance at end of period	**2,738,000**	**$**	**0.18**		**1,422,000**	**$**	**0.15**

The following table summarizes the range of exercise prices and weighted average remaining contractual life for share units outstanding at the end of the period:

	February 29, 2012		February 28, 2011	
	The range of exercise prices	weighted average remaining contractual life	The range of exercise prices	weighted average remaining contractual life
Share options outstanding at the end of the period:	$0.10 - $0.20	3.46	$0.10 - $0.18	3.39

The following table summarizes weighted average fair value of share options granted during the period:

Measurement Date		Weighted Average Fair Value
February 28, 2011		
August 13, 2010	$	0.06
February 28, 2012		
October 3, 2011	$	0.11

Notes to the Consolidated Financial Statements
(In Canadian dollars)

***7. Shareholders' Equity** - continued*

(iii) Warrants

The following is a summary of warrants outstanding:

	February 29, 2012			February 28, 2011		
	Number of units		Weighted average exercise price	Number of units		Weighted average exercise price
Balance at beginning of period	10,694,167	$	0.11	$ -	$	-
Warrants issued	5,165,166	$	0.30	$ 12,612,500	$	0.11
Exercised during the period	(5,862,368)	$	0.10	$ (1,918,333)	$	0.12
Expired during the period	(1,150,000)	$	0.15	$ -	$	-
Balance at end of period	**8,846,965**	**$**	**0.24**	**10,694,167**	**$**	**0.11**

The fair value of the warrants was based on the Black-Scholes option-pricing model. The following assumptions were used to value them:

	February 29, 2012	February 28, 2011
Weighted average exercise price	$ 0.24	$ 0.11
Weighted average expected volatility	35%	30.0%
Weighted average expected option life	1.5 years	2 - 5 years
Weighted average expected dividend yield	0%	0%
Weighted average risk-free interest rate	0.98%	2.00%

8. Related Party Transactions

The Company's related parties include its subsidiaries, key management and their close family members, and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given of received. Outstanding balances are usually settled in cash.

The Company had the following balances with related parties:

	February 29, 2012				February 28, 2011			
	Key Management Personnel		Other		Key Management Personnel		Other	
Share based payments	$	83,969	$	-	$	40,745	$	-
The amount of outstanding balances:								
Receivable from director or officer	$	9,443	$	-	$	3,629	$	-
Payable to related parties with common directors	$	-	$	6,302	$	-	$	5,922
Management fees	$	60,000			$	40,000		
Rent expense			$	19,204			$	12,350
	$	**153,412**	**$**	**25,506**	**$**	**84,374**	**$**	**18,272**

Notes to the Consolidated Financial Statements
(In Canadian dollars)

8. Related Party Transactions *- continued*

The remuneration of directors and other members of key management personnel were as follows:

	February 29, 2012	February 28, 2011
Short-term employee benefits	$ 60,000	$ 40,000
Share-based payments	$ 83,969	$ 40,745
	$ 143,969	**$ 80,745**

Amounts due from and to the related parties, are a result of transactions with entities controlled by shareholders, officers or directors of the Company. These amounts are non-interest bearing, unsecured and not subject to specific terms of repayment unless stated.

Camsim Minas S.A. de C.V., the company which owns the La Diana and San Javier Properties (see Note 6 (iii and v) is controlled by an individual who is related to a board member of the Company.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

9. Segmented Information

The Company conducts its business in two operating segments being the mining sector in Canada and Mexico. At November 30, 2011 and February 28, 2011, the Company's mineral property interests were situated in Canada and Mexico.

The following table summarizes total mineral property interests by geographic location:

	February 29, 2012	February 28, 2011	March 1, 2010
Canada	$ 246,928	$ 272,682	$ -
Mexico	$ 1,563,714	$ 572,899	$ -
Total Assets	$ 1,810,642	$ 845,581	$ -

10. Contingency

From time to time, the Company may be exposed to claims and legal actions in the normal course of business, some of which may be initiated by the Company. As of February 29, 2012, no material claims were outstanding.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

11. Income Taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined Federal and Provincial statutory tax rate of 26.5% (2011 – 30%) to the net loss for the year for reasons noted below:

	February 29, 2012	February 28, 2011
Income tax recovery based on statutory rate	($244,162)	($95,205)
Actual provision per financial statements	-	-
Entertainment	$3,637	$3,567
Non-cash compensation	$43,325	$18,163
Share issue costs	($7,591)	($7,660)
	($204,791)	($81,135)
Valuation allowance	$204,791	$81,135
	$ -	$ -

The Company has incurred tax losses of $1,259,097 (2011 - $486,303) which may be used to reduce future taxable income. The potential benefit of these losses has not been recognized in these consolidated financial statements and will expire, if unused, in the fiscal years ended February 28 as follows:

		Amount
2028	$	42,906
2029	$	138,532
2030	$	51,824
2031	$	253,041
2032	$	772,794
	$	1,259,097

The components of future income tax asset (liability) are as noted below:

		February 29, 2012		February 28, 2011
Non-capital losses and share issue costs	$	332,314	$	152,500
Investments	$	8,775		-
Mineral properties	$	61,574		-
	$	402,663	$	152,500
Valuation allowance	$	(402,663)	$	(152,500)
Deferred Income Tax		-		-

In addition to the above tax losses the Company has incurred Canadian Development Expenditures, Canadian Exploration Expenditures and Foreign Exploration and Development Expenditures in the amount of $2,056,939 (2011 - $927,543) which may be used to reduce future taxable income. The potential benefit of these expenditures has not been recognized and can be carried-forward without expiry.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

12. Capital Management and Liquidity

The Company considers its capital structure to consist of its cash, common shares, stock options and warrants. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the 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 new debt, acquire or dispose of assets or adjust the amount of cash.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the periods ended February 29, 2012 and February 28, 2011. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

The Company's capital for the reporting periods is summarized as follows:

	February 29, 2012	February 28, 2011	March 1, 2010
Cash	$ 453,461	$ 398,862	$ 121
Marketable securities	$ 103,950	$ -	$ -
Common shares	$ 3,957,929	$ 1,715,019	$ 400,135
Contributed Surplus	$ 248,364	$ 82,885	$ 11,547
Deficit	$ (1,683,908)	$ (560,850)	$ (176,575)
	$ 3,079,796	**$ 1,635,916**	**$ 235,228**

13. Financial Instruments

Financial Instruments details can be summarized as follows:

	Level of Fair Value Measurement	February 29, 2012	Balance as at February 28, 2011	March 1, 2010
Loans and receivables				
Cash and cash equivalents	Level 1	$ 453,461	$ 398,862	$ 121
Qualifying transaction funds	Level 1	$ -	$ -	$ 161,109
Interest and sundry receivables	Level 2	$ 157,060	$ 14,943	$ 1,947
Fair Value Through Profit or Loss				
Marketable Securities	Level 1	$ 103,950	$ -	$ -
		$ 714,471	$ 413,805	$ 163,177
Financial liabilities measured at amortized cost				
Accounts payable and accrued liabilities	Level 1	$ 71,026	$ 33,797	$ 24,199
		$ 71,026	$ 33,797	$ 24,199

Notes to the Consolidated Financial Statements
(In Canadian dollars)

13. Financial Instruments *- continued*

The Company holds 67,500 common shares of Lake Shore Gold Corp. (LSG), which was designated as a fair value though profit or loss financial instrument. Lake Shore Gold shares are restricted for trading as at the date of this report.

Fair Value of Non-Derivative Financial Instruments
Fair value is the amount that willing parties would accept to exchange a financial instrument based on the current market for instruments with the same risk, principal and remaining maturity. The fair value of interest bearing financial assets and liabilities is determined by discounting the contractual principal and interest payments at estimated current market interest rates for the instrument. Current market rates are determined by reference to current benchmark rates for a similar term and current credit spreads for debt with similar terms and risk.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

Level 3 fair values are based on a number of valuation techniques other than observable market data. There are no level 3 values currently recorded on the balance sheet of the Company.

14. Financial Instruments Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, market risk and interest rate risk.

(i) **Credit risk**
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company is not exposed to credit risk due to the nature of the collectible accounts. On February 29, 2012, February 28, 2011 and March 1, 2010, the Company does not have any allowance for doubtful accounts.

Management actively monitors the Company's exposure to credit risk under its financial instruments, including with respect to amounts receivable. The Company considers the risk of loss for its amounts receivable to be remote and significantly mitigated due to the financial strength of the party from whom the receivables are due - the Canadian government for harmonized sales tax ("HST") refunds receivable.

(ii) **Liquidity risk**
Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities.

Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations at their maturity. In addition to having a working capital deficiency at The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash to meet liabilities when due. All of the Company's financial liabilities have contractual maturities of less than one year and are subject to normal trade terms. The Company's ability to continue operations and fund its business is dependent on management's ability to secure additional financing. It is anticipated that the Company will continue to rely on equity financing to meet its ongoing working capital requirements.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

14. Financial Instruments Risk Management *- continued*

(iii) **Market risk**
Market risk is the risk that changes in market price, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. These risks are generally outside the control of the Company. The objectives of the Company are to mitigate market risk exposure within acceptable limits, while maximizing returns. The Company has no significant exposure to market risk.

(iv) **Interest rate sensitivity**
The Company has no significant exposure at February 29, 2012, February 28, 2011 and March 1, 2010 to interest rate risk through its financial instruments.

(v) **Foreign Exchange Risk**
The Company is exposed to foreign currency fluctuations as the Company's fully owned subsidiary operates in Mexican Pesos. The translation effects of changes in exchange rates in the Consolidated Statement of Financial Position were net translation loss of $8,406 on February 29, 2012 (2011: N/A, 2010: N/A) and are recorded within Accumulated Other Comprehensive Income in Shareholders' Equity.

Management believes that foreign exchange risk is not significant as at February 29, 2012 (2011: N/A, 2010: N/A).

15. Subsequent event

Subsequent to year end the Company sold its marketable securities for the net proceeds of $68,034, resulting in a loss on sale in the amount of $35,916.

16. Conversion to IFRS

(i) **Overview**
As stated in Significant Accounting Policies note 2, these consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

The policies set out in the Significant Accounting Policies section have been applied in preparing these consolidated financial statements for the twelve-month period ended February 29, 2012, comparative twelve-month period ended February 28, 2011 and in the preparation of an opening IFRS balance sheet at March 1, 2010 (the Company's date of transition).

(ii) **First-time adoption of IFRS**
The Corporation has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at January 1, 2010, the Corporation's Transition Date:

- To apply the transition provisions of IFRIC 4 - Determining whether an Arrangement Contains a Lease, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date. The Corporation has no material leases.
- To apply IFRS 2 - Share-based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date of March 1, 2010.

Cumulative translation differences
Management has determined that the functional currency of the Company is the Canadian dollar. This determination has been made after analysis of the primary and secondary consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. Management believes that the primary economic considerations impacting the Company at this stage in its development, are financing considerations. The primary economic environment in which the Company operates is Canada.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

16. Conversion to IFRS *- continued*

These financial statements have been translated into Canadian dollars in accordance with IAS 21. Assets and liabilities are translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rate at the date of the transactions. On translation of a foreign operation in accordance with IAS 21, certain exchange differences are recognized as a separate component of equity.
IAS 21 also requires the Company to disclose the net exchange differences classified as a separate component of equity as well as a reconciliation of the opening and closing balances.

Under this election in IFRS 1, the Company has elected not to calculate this translation difference retrospectively and accordingly has set the translation differences at the date of transition at zero.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under CGAAP.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

(a) Exploration and evaluation expenditures

- Under IFRS, prospecting costs incurred prior to acquisition of an ownership interest in the claims must be expensed as period expense. Under CGAAP such expenses were capitalized to exploration property. The Company had previously incurred $81,962 in exploration expenditures on a mineral property prior to the acquisition of an ownership interest which it had capitalized under CGAAP. As a result the Company has recognized $81,962 as an adjustment on the Consolidated Statement of Financial Position and $81,962 on the Consolidated Statement of Comprehensive Loss as at February 28, 2011.

- Under IFRS, the Company had the option to expense exploration and evaluation investments as incurred or as, previously, under CGAAP to capitalize exploration and evaluation expenditures as incurred. The Company has decided to continue to capitalize such investments as to provide investors with better understanding of the investment for each exploration property and the value that it brings to shareholders. There is no impact on these Consolidated Financial Statements.

(b) Impairment of (Non-financial) Assets
IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current CGAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on these Consolidated Financial Statements.

(c) Transaction costs
IFRS requires transaction costs, other than those associated with the issue of debt or equity securities that the Company incurs in connection with a business combination to be expensed as incurred. Previously, the Company's CGAAP policy was to capitalize transaction costs as incurred until the business combination was completed. The Company's accounting policies related to transaction costs have been changed to reflect these differences. As the Company has not yet had a business combination, there is no impact on the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
(In Canadian dollars)

16. Conversion to IFRS *- continued*

(d) Share-based Payments

Under IFRS, the fair value of the share options is measured at the grant date and recognized over the period during which the options vest. The fair value of share options granted to officers, directors, employees and consultants is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in contributed surplus.

Previously, under CGAAP, the share-based compensation cost for officers, directors, employees and consultants is measured at fair value at the date of grant and is either expensed or capitalized to mineral exploration properties over the vesting period using straight-line method, with an offsetting credit to contributed surplus.

The Company's accounting policies related to Share-based payments have been changed to reflect these differences. There is no impact on these Consolidated Financial Statements as all options granted had vested as at transition date to IFRS.

(e) Reconciliation from CGAAP to IFRS

Reconciliation of Equity:

	February 28, 2011	March 1, 2010
Shareholders' Equity under Canadian GAAP	$ 1,319,016	$ 235,107
IFRS Adjustments	$ (81,962)	$ -
Shareholders' Equity under IFRS	$ 1,237,054	$ 235,107

Reconciliation of Comprehensive Loss:

	February 28, 2011
Comprehansive Loss under Canadian GAAP	$ (302,313)
IFRS Adjustments	$ (81,962)
Comprehansive Loss under IFRS	$ (384,275)

Notes to the Consolidated Financial Statements
(In Canadian dollars)

16. Conversion to IFRS *- continued*

March 1, 2010 Canadian GAAP Statement of Financial Position has been reconciled to IFRS as follows:

As at	Canadian GAAP March 1, 2010	Adjustments	IFRS March 1, 2010
ASSETS			
CURRENT			
Cash and Cash equivalents	$ 121	$ -	$ 121
Qualifying transaction funds	$ 161,109	$ -	$ 161,109
Interest and sundry receivable	$ 1,947	$ -	$ 1,947
Prepaid expenses	$ 4,167	$ -	$ 4,167
Marketable securities	$ -	$ -	$ -
	$ 167,344	$ -	$ 167,344
EXPLORATION PROPERTIES	$ -	$ -	$ -
PREPAID QUALIFYING TRANSACTION COSTS	$ 91,962	$ -	$ 91,962
	$ 259,306	$ -	$ 259,306
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	$ 24,199	$ -	$ 24,199
	$ 24,199	$ -	$ 24,199
SHAREHOLDERS' EQUITY			
CAPITAL STOCK			
Issued and Outstanding	$ 400,135	$ -	$ 400,135
CONTRIBUTED SURPLUS	$ 11,547	$ -	$ 11,547
ACCUMULATED OTHER COMPREHENSIVE INCOME	$ -	$ -	$ -
ACCUMULATED DEFICIT	$ (176,575)	$ -	$ (176,575)
	$ 235,107	$ -	$ 235,107
	$ 259,306	$ -	$ 259,306

Notes to the Consolidated Financial Statements
(In Canadian dollars)

16. Conversion to IFRS *- continued*

February 28, 2011 Canadian GAAP Statement of Financial Position has been reconciled to IFRS as follows:

As at	Note	Canadian GAAP February 28, 2011	Adjustments	IFRS February 28, 2011
ASSETS				
CURRENT				
Cash and Cash equivalents		$ 398,862	$ -	$ 398,862
Qualifying transaction funds		$ -	$ -	$ -
Interest and sundry receivable		$ 14,943	$ -	$ 14,943
Prepaid expenses		$ 11,465	$ -	$ 11,465
Marketable securities		$ -	$ -	$ -
		$ 425,270	$ -	$ 425,270
EXPLORATION PROPERTIES	(a)	$ 927,543	$ (81,962)	$ 845,581
PREPAID QUALIFYING TRANSACTION COSTS		$ -	$ -	$ -
		$ 1,352,813	$ (81,962)	$ 1,270,851
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities		$ 33,797	$ -	$ 33,797
		$ 33,797	$ -	$ 33,797
SHAREHOLDERS' EQUITY				
CAPITAL STOCK				
Issued and Outstanding		$ 1,715,019	$ -	$ 1,715,019
CONTRIBUTED SURPLUS		$ 82,885	$ -	$ 82,885
ACCUMULATED DEFICIT		$ (478,888)	$ (81,962)	$ (560,850)
		$ 1,319,016	$ (81,962)	$ 1,237,054
		$ 1,352,813	$ (81,962)	$ 1,270,851

Notes to the Consolidated Financial Statements
(In Canadian dollars)

16. Conversion to IFRS *- continued*

February 28, 2011 Canadian GAAP Statement of Comprehensive Income has been reconciled to IFRS as follows:

	Note	Canadian GAAP February 28, 2011	Adjustments	IFRS February 28, 2011
REVENUES		$ -	$ -	$ -
EXPENSES				
General and administrative expenditures		$ 128,236	$ -	$ 128,236
Professional fees		$ 45,602	$ -	$ 45,602
Marketing and business development		$ 69,390	$ -	$ 69,390
Exploration expenditures	(a)		$ 81,962	$ 81,962
Share based payments		$ 59,550	$ -	$ 59,550
		$ 302,778	$ 81,962	$ 384,740
LOSS BEFORE UNDERNOTED		$ (302,778)	$ (81,962)	$ (384,740)
Loss on sale of property		$ -	$ -	$ -
Fair value adjustment on marketable securities		$ -	$ -	$ -
Interest income		$ 465	$ -	$ 465
NET LOSS AND COMPREHENSIVE LOSS		$ (302,313)	$ (81,962)	$ (384,275)
NET LOSS PER COMMON SHARE				
Basic and diluted		$ 0.02	$ -	$ 0.03
Weighted Average number of common shares outstanding - basic and diluted		14,308,455	-	14,308,455

Notes to the Consolidated Financial Statements
(In Canadian dollars)

***16. Conversion to IFRS** - continued*

February 28, 2011 Canadian GAAP Statement of Cash Flows has been reconciled to IFRS as follows:

	Note	Canadian GAAP February 28, 2011	Adjustments	IFRS February 28, 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year		$ (302,313)	$ (81,962)	$ (384,275)
Non-cash items				
Share-based payments		59,550		59,550
Net change in non-cash operating items				
Interest and sundry receivables		(12,996)		(12,996)
Prepaid expenses		(7,298)		(7,298)
Accounts payable and accrued liabilities		63,574		63,574
	(a)	(199,483)	(81,962)	(281,445)
CASH FLOW FROM FINANCING ACTIVITIES				
Advances from Notes payable		535,000		535,000
Reimbursement of notes payable		(535,000)		(535,000)
Issuance of capital stock		823,350		823,350
		823,350		823,350
CASH FLOWS FROM INVESTING ACTIVITIES				
Qualifying transaction funds		161,109		161,109
Expenditures on exploration properties	(a)	(386,235)	81,962	(304,273)
		(225,126)	81,962	(143,164)
NET CHANGE IN CASH AND CASH EQUIVALENTS		398,741		398,741
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		121		121
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 398,862		$ 398,862