

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FEBRUARY 28, 2013

COLIBRI RESOURCE CORPORATION
(An Exploration Stage Company)

Condensed Consolidated Interim Financial Statements

February 28, 2013 and February 29, 2012

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

These accompanying unaudited condensed consolidated interim financial statements of Colibri Resource Corporation have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS

(Unaudited – Prepared by Management)

	Three Months Ended February 28, <u>2013</u>	Three Months Ended February 29, <u>2012</u>
EXPENSES, ADMINISTRATIVE AND GENERAL		
Accounting and audit fees	\$ 5,341	\$ 11,649
Advertising and promotion	3,289	13,014
Amortization	353	995
Consulting	-	1,810
Director fees and benefits (Note 7)	7,500	19,500
Foreign exchange	(4,087)	1,088
Investor relations	-	19,500
Legal	-	3,478
Management fees (Note 7)	25,500	28,200
Office and miscellaneous	6,584	8,652
Rent (Note 7)	2,340	4,959
Stock based compensation (Note 8)	-	-
Telephone	283	629
Transfer agent and filing fees	3,541	5,386
Travel and related costs	<u>2,845</u>	<u>11,649</u>
LOSS BEFORE OTHER ITEMS	<u>(53,489)</u>	<u>(130,509)</u>
OTHER ITEMS		
Interest	<u>2,056</u>	<u>10,150</u>
NET LOSS AND COMPREHENSIVE LOSS	\$ <u>(51,433)</u>	\$ <u>(120,359)</u>
BASIC AND DILUTED LOSS PER SHARE	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>
Weighted average number of shares outstanding	<u>50,236,010</u>	<u>50,236,010</u>

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

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)

		February 28 <u>2013</u>	November 30 <u>2012</u>
	Note		
ASSETS			
Current assets			
Cash	4	\$856,718	\$1,014,080
Sales tax receivable		11,304	16,144
Prepaid expenses		<u>23,533</u>	<u>2,313</u>
		891,555	1,032,537
Equipment	5	5,016	5,369
Mineral properties	6	<u>7,184,540</u>	<u>7,088,271</u>
		<u>\$8,081,111</u>	<u>\$8,126,177</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 46,666	\$ 61,098
Accounts payable to related parties	7	<u>30,049</u>	<u>9,250</u>
		<u>76,715</u>	<u>70,348</u>
Shareholders' equity			
Share capital	8	7,631,102	7,631,102
Warrants	8	1,076,115	1,076,115
Contributed surplus	8	2,679,514	2,679,514
Deficit		<u>(3,382,335)</u>	<u>(3,330,902)</u>
		8,004,396	8,055,829
		<u>\$8,081,111</u>	<u>\$8,126,177</u>

Approved on behalf of the Board:

_____ Director

_____ Director

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

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)

	<u>Share Capital</u>		Warrants	Contributed Surplus	Deficit	Total
	Number	Amount				
Balance at November 30, 2011	50,236,010	\$7,631,102	\$1,076,115	\$2,679,150	\$(2,885,631)	\$8,500,736
Options expired	-	-	-	(218,855)	218,855	-
Share-based compensation	-	-	-	219,219	-	219,219
Loss for the year	-	-	-	-	(664,126)	(664,126)
Balance at November 30, 2012	50,236,010	\$7,631,102	\$1,076,115	\$2,679,514	\$(3,330,902)	\$8,055,829
Loss for the period	-	-	-	-	(51,433)	(51,433)
Balance at February 28, 2013	50,236,010	\$7,631,102	\$1,076,115	\$2,679,514	\$(3,382,335)	\$8,004,396

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

COLIBRI RESOURCE CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Months Ended February 28, <u>2013</u>	Three Months Ended February 29, <u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	\$ (51,433)	\$ (120,359)
Add: Items not requiring the use of cash		
Amortization	353	995
Stock-based compensation	-	-
Change in non-cash working capital items:		
Decrease (increase) in receivables	4,840	(3,653)
(Increase) decrease in prepaid expenses	(21,220)	10,527
Increase (decrease) in accounts payable and accrued liabilities	<u>6,367</u>	<u>20,318</u>
Net cash used in operating activities	<u>(61,093)</u>	<u>(92,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties and deferred exploration costs	<u>(96,269)</u>	<u>(224,437)</u>
(DECREASE) INCREASE IN CASH DURING THE YEAR	(157,362)	(316,609)
CASH , beginning of the period	<u>1,014,080</u>	<u>2,518,542</u>
CASH , end of the period	<u>\$ 856,718</u>	<u>\$2,201,933</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For The Three Months Ended February 28, 2013 and February 29, 2012
(Unaudited – Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

Colibri Resource Corporation (“the Company”) was incorporated on February 20, 2004 in the Province of British Columbia. The Company’s registered office is Suite #400 – 570 Granville Street, Vancouver, British Columbia, Canada. The Company’s corporate office and principal place of business is 51A Commercial Street, Nanaimo, British Columbia, Canada.

The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the properties.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and liabilities in the normal course of business. As at February 28, 2013, the Company has working capital of \$814,840 (2012 – \$2,113,018) and has a cumulative deficit of \$3,382,335 (2012 – \$3,116,500). Operations for the three months ended February 28, 2013 were funded primarily from equity funds raised from private placements completed on April 7, 2011 and May 27, 2011 respectively. Management believes that the Company has sufficient funds to pay its current liabilities and meet its current commitments for funding its capital project costs as well as administrative expenses for the near term, although this cannot be assured.

If the Company’s exploration programs are successful, additional funds will be required to develop the Company’s properties and to place them into commercial production. The only source of future funds presently available to the Company is through the issuance of share capital, or by the sale of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing or sale of an interest in the future will depend in part upon the prevailing market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised through the issuance of shares, control of the Company may change and shareholders may suffer dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests.

The amounts shown as mineral property interests represent acquisition costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral property interests is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION

(a) Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended November 30, 2012, which have been prepared in accordance with IFRS as issued by the IASB. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended November 30, 2012.

(b) Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, with the exception of certain financial instruments classified as available-for-sale which are measured at fair value as described in Note 3. The consolidated financial statements are presented in Canadian dollars unless otherwise stated.

(c) Subsidiaries and Principles of Consolidation

These consolidated financial statements include the accounts of Colibri Resources Corporation and its wholly owned subsidiary Minera Halcones S.A. de C.V. Minera Halcones S.A. de C.V. was incorporated in Mexico for the purposes of developing mineral properties. All intercompany transactions and balances have been eliminated upon consolidation. All amounts are reported and measured in Canadian dollars.

(d) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The carrying value and recoverable amount of exploration and evaluation assets;
- The inputs used in accounting for share-based compensation expense in the statements of operations and comprehensive loss;
- The valuation of shares issued in non-cash transactions; and
- The valuation allowance applied against deferred income tax assets.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and cashable highly liquid investments with limited interest and credit risk. The remaining maturities at point of purchase are at three months or less, with no penalties on early retirement.

(b) Equipment

Equipment is recorded at costs less accumulated amortization. Amortization is recorded on a declining balance basis over the estimated useful life of the assets. These rates are as follows:

Office furniture	20%
Computer equipment	30%
Automotive	30%

(c) Mineral Properties (exploration and evaluation)

Upon acquiring the legal right to explore a mineral property, costs related to the acquisition, exploration and evaluation are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value. When a property is abandoned, all related costs are written off to operations.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from mineral claim option payments, as well as tax credits received by the Company from third parties, are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost, the excess is recognized as income in the year received.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Impairment of Long-lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(e) Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates, and has been determined for each entity within the Company. The presentation currency and functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

(f) Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Income Taxes *(Continued)*

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

(g) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. Diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(h) Share Capital

The Company records its share capital proceeds from share issuances net of related issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of agreement to issue shares or other fair value equivalent amount as determined by the Board of Directors. Agent's warrants, stock options and other equity instruments issued as purchase consideration in nonmonetary transactions other than as consideration for mineral properties are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Share-based Payments

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The number of forfeitures likely to occur is estimated on grant date. Any consideration paid by directors, officers and employees on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of the Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

(j) Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized through profit or loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Financial Instruments *(Continued)*

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

The Company has classified its cash at fair value through profit or loss, and sales tax receivable as loans and loans receivable.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company designated cash (Level 1) as held for trading assets, measured at fair value. Accounts payable and accrued liabilities are designated as other financial liabilities and measured at amortized cost. Management did not identify any material embedded derivatives, which require separate recognition and measurement. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended November 30, 2012.

The Company is required to disclose the inputs used in fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

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.

The Company has determined that no adjustments are currently required for transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading.

COLIBRI RESOURCE CORPORATION
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5. EQUIPMENT

	Office Equipment	Computer Equipment	Computer Software	Automotive	Total
Cost:					
November 30, 2011	\$ 7,090	\$24,056	\$10,089	\$32,100	\$73,335
Additions/disposals	(282)	(1,326)	(10,089)	(32,100)	(43,797)
Balance November 30, 2012	\$ 6,808	\$22,730	\$ -	\$ -	\$29,538
Additions/disposals	-	-	-	-	-
Balance February 28, 2013	\$ 6,808	\$22,730	\$ -	\$ -	\$29,538
Accumulated amortization:					
Balance November 30, 2011	4,497	19,066	10,089	25,549	59,201
Amortization	514	1,483	-	982	2,979
Disposals	(211)	(1,180)	(10,089)	(26,531)	(38,011)
Balance November 30, 2012	4,800	19,369	-	-	24,169
Amortization	101	252	-	-	353
Balance February 28, 2013	\$ 4,901	\$19,621	\$ -	\$ -	\$24,522
Carrying amounts:					
November 30, 2011	\$ 2,593	\$ 4,990	\$ -	\$ 6,551	\$14,134
November 30, 2012	\$ 2,008	\$ 3,361	\$ -	\$ -	\$ 5,369
February 28, 2013	\$ 1,907	\$ 3,109	\$ -	\$ -	\$ 5,016

COLIBRI RESOURCE CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**For The Three Months Ended February 28, 2013 and February 29, 2012****(Unaudited – Prepared by Management)**

6. MINERAL PROPERTIES**Title to Mineral Properties**

Title to 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 conveyance 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.

Colibri Property

On June 16, 2004, the Company agreed to an option agreement with Minera Cadenza S de RL de CV (“Cadenza”), a private Mexican company wholly owned by Cadence Resource Corporation, a Canadian private company controlled by a director and a former director of the Company, to purchase a 90% interest in the Colibri property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid \$50,000 and issued 200,000 common shares with a value of \$30,000. The Company agreed to pay \$300,000, issue a total of 1,200,000 common shares and incur a total of \$1,800,000 (incurred) in exploration expenditures by June 16, 2010, to earn its 90% interest. The Company has paid the \$350,000 and issued all of the 1,400,000 common shares with a total value of \$244,500. The Company exercised its option and has acquired 100% interest in the Colibri Property, and Cadence Resource Corporation retains a 3% Net Smelter Returns (“NSR”) royalty.

As part of the Colibri property, on June 16, 2004, the Company agreed to an assignment of contract agreement to have the right to purchase a 100% interest in two mineral claims known as the San Francisco and the Juarez claims for a total of US\$1,000,000 to be paid over a six year period ending January 1, 2011. All option payments made under this agreement will be applied to the purchase price of US\$1,000,000 if the Company elects to purchase these two mineral claims. To date, the Company has paid US\$131,000, but has decided not to pay the remaining option payments, as the costs did not warrant the cost of finalizing the option agreements. All previously capitalized costs relating to these two mineral claims were written off in the Company’s August 2009 interim financial statements.

On May 27, 2011, the Company closed an “earn-in” and shareholders agreement with Agnico-Eagle Mines Ltd., whereby Agnico may acquire up to a 75% interest in the Colibri gold project and form a joint venture with the Company by making qualified exploration expenditures and payments to Colibri. To earn its 75% interest, Agnico is required to spend a minimum of US\$3.0 million in exploration expenditures over the next three years, of which US\$1.5 million (US\$2,039,035 incurred to date) is to be spent in the first 18 months, as well as complete a positive feasibility study within five years. In addition, Agnico will be required to make option payments totaling US\$1,452,000 (US\$218,000 paid to date) over a seven year period.

After completion of the feasibility study, and Agnico earning its 75% interest, Agnico and Colibri will form a joint venture to develop the Colibri Project. As required under this agreement, a Mexican company, Minera Azor Dorado S.A. de C.V. (the “Operating Company”) was incorporated as a wholly-owned subsidiary of a newly incorporated British Columbia company, 0901223 B.C. Ltd. (the joint venture company) to hold the right, title and interest in the Colibri Project and transfer of the concessions comprising the Colibri Project to the Operating Company. The Company owned 100% of the joint venture company up to November 17, 2012, when Agnico exercised its option to acquire a 51% interest. Consequently, the Company now holds a 49% interest in the joint venture company.

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6. MINERAL PROPERTIES *(Continued)*

Colibri Property *(Continued)*

Pursuant to the terms of the above Agreement, Colibri also completed a private placement of 3 million units of the Company to Agnico at a price of \$0.20 per unit for proceeds of \$600,000. Each unit issued consists of one common share of the Company and one share purchase warrant, with each warrant being exercisable into one additional common share at an exercise price of \$0.35 per common share until May 26, 2013.

Ramaje Ardiente Property

On June 16, 2004, the Company agreed to an option agreement with Minera El Sahuaro S.A. de C.V. (“Sahuaro”), a wholly-owned subsidiary of Cadenza, to purchase a 100% interest in the Ramaje Ardiente property, located in the State of Sonora, Mexico. Upon signing the option agreement the Company paid \$20,000 and issued 200,000 common shares with a value of \$30,000. The Company agreed to pay \$70,000, issue a total of 300,000 common shares, incur a total of \$500,000 (incurred) in exploration expenditures and initiate a scoping/pre-feasibility study by June 16, 2009, to earn its 100% interest. The Company has paid the \$90,000 and issued all of the 300,000 common shares with a value of \$45,000.

The Company exercised its option and has acquired the 100% interest, and so initiated a scoping and pre-feasibility study. Consequently, the Company has issued an additional 200,000 shares with a value of \$32,000 as per the original option agreement.

The property is subject to a 2.0% NSR royalty. The Company has the option to purchase 50% of the royalty for \$1,000,000.

Leon Property

On June 16, 2004, the Company agreed to an option agreement with Minera La Pitahaya S.A. de C.V. (“Pitahaya”), a private Mexican company, which is 50% owned by a former director of the Company, to purchase a 100% interest in the Leon property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid \$20,000 and issued 200,000 common shares with a value of \$30,000.

The Company agreed to pay a total of \$190,000, issue a total of 200,000 common shares, incur a total of \$500,000 (incurred) in exploration expenditures and commence a scoping/pre-feasibility study by December 16, 2008, to earn its 100% interest.

The Company has paid the \$210,000 and issued all of the 400,000 common shares with a value of \$48,000. The Company exercised its option and has acquired the 100% interest.

The property is subject to a 2.0% NSR royalty. The Company has the option to purchase 50% of the royalty for \$1,000,000.

Evelyn Property

In March 2010 the Company’s subsidiary, Minera Halcones, acquired a 100% interest in the Evelyn III claim via a Mexican government “sorteo” or claim lottery. This 506.3 hectare claim is located in the State of Sonora, Mexico.

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6. MINERAL PROPERTIES *(Continued)*

For the three months ended February 28, 2013	Colibri Property	Ramaje Ardiente Property	Leon Property	Evelyn Property	Total
Acquisition costs:					
Balance, beginning of the period	\$ 412,262	\$ 190,366	\$ 282,820	\$ -	\$ 885,448
Additions		5,586	-	-	
Option payments cash		-	-	-	
Option payments received cash		-	-	-	
Balance, end of the period	412,262	195,952	282,820	-	891,034
Deferred Exploration costs:					
Balance, beginning of the period	\$1,954,414	\$2,180,735	\$2,036,446	\$ 31,228	\$6,202,823
Additions					
Accommodation and meals	-	-	-	-	-
Assays and lab tests	-	-	-	-	-
Drilling / mobilization / demobilization	-	-	-	-	-
Field expenses and personnel	-	962	782	129	1,873
Geological consulting	-	24,557	-	4,761	29,318
Geophysics	-	-	-	-	-
Maps and reproduction	-	-	-	-	-
Miscellaneous	-	4,194	192	74	4,460
Property and claim taxes	-	23,589	30,027	697	54,316
Telephone	-	-	-	8	8
Travel and transport	-	260	-	451	711
	-	53,562	31,001	6,120	90,683
	1,954,414	2,234,297	2,067,447	37,348	6,293,506
Balance, end of the period	\$2,366,676	\$2,430,249	\$2,350,267	\$ 37,348	\$7,184,540

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6. MINERAL PROPERTIES *(Continued)*

For the year ended November 30, 2012	Colibri Property	Ramaje Ardiente Property	Leon Property	Evelyn Property	Total
Acquisition costs:					
Balance, December 1, 2011	\$ 508,295	\$ 167,000	\$ 282,820	\$ -	\$ 958,115
Additions	3,780	23,366	-	-	27,146
Option payments cash	20,000	-	-	-	20,000
Option payments received cash	(119,813)	-	-	-	(119,813)
Balance, November 30, 2012	412,262	190,366	282,820	-	885,448
Deferred Exploration costs:					
Balance, December 1, 2011	\$1,949,268	\$1,121,509	\$1,987,086	\$ 13,805	\$5,071,668
Additions					
Accommodation and meals	-	5,871	-	1,264	7,135
Assays and lab tests	-	155,059	-	-	155,059
Drilling / mobilization / demobilization	-	399,317	-	-	399,317
Field expenses and personnel	-	63,709	-	2,375	66,084
Geological consulting	-	258,204	1,200	10,592	269,996
Geophysics	-	73,391	-	-	73,391
Maps and reproduction	-	30,905	-	1,070	31,975
Miscellaneous	-	19,999	-	356	20,355
Property and claim taxes	-	29,379	48,004	685	78,068
Telephone	-	296	-	39	335
Travel and transport	5,146	23,096	156	1,042	29,440
	5,146	1,059,226	49,360	17,423	1,131,155
	1,954,414	2,180,735	2,036,446	31,228	6,202,823
Balance, November 30, 2012	\$2,366,676	\$2,371,101	\$2,319,266	\$ 31,228	\$7,088,271

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7. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of \$30,049 (2012 – \$35,181) is comprised of reimbursable travel costs, director fees to directors of the Company, and geological consulting fees due to a director and a company controlled by a former director of the Company.

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$NIL (2012 – \$24,025) in geological consulting fees, of which \$NIL (2012 – \$21,469) are included in mineral properties, to a company controlled by a former director.
- b) Paid or accrued \$NIL (2012 – \$18,555) in geological consulting fees and mapping and production, of which \$NIL (2012 – \$11,074) are included in mineral properties, to directors of the Company or companies controlled by directors of the Company.
- c) Paid or accrued \$25,500 (2012 – \$28,200) in management fees to companies controlled by directors and officers of the Company.
- d) Paid or accrued \$3,720 (2012 – \$NIL) in accounting fees to an officer of the Company and a person related to a director of the Company.
- e) Paid or accrued \$9,000 (2012 – \$9,000) in office rent to a company controlled by a director of the Company.
- f) Paid or accrued \$25,500 (2012 – \$19,500) in fees to directors of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

(a) Authorized

100,000,000 common shares without par value

(b) Issued

Common shares:

	Number of Shares	Amount
Balance at November 30, 2012 and February 28, 2013	50,236,010	\$7,631,102

(c) Warrants

Warrants consist of:

Issued during April 7, 2011 Private Placement	\$ 859,314
Issued during May 27, 2011 Private Placement	<u>216,801</u>
Balance at November 30, 2012 and February 28, 2013	<u>\$1,076,115</u>

As at February 28, 2013, the following warrants were outstanding and exercisable:

Value	Number	Exercise Price	Expiry Date
\$ 859,314	12,000,000	\$0.35	April 7, 2013
\$ 216,801	3,000,000	\$0.35	May 27, 2013
<u>\$1,076,115</u>	<u>15,000,000</u>		

In addition, there are 561,750 finder's warrants outstanding with an exercise price of \$0.35 in connection with the April 7, 2011 private placement. These warrants have an estimated value of \$62,778 which has been allocated to contributed surplus.

(d) Stock Options

On May 30, 2012, the Company amended its Stock Option Plan from a 10% rolling plan to a fixed plan, whereby the Company may grant stock options to eligible persons to acquire a total of 500,000 common shares of the Company. Awarded stock options generally vest immediately and are exercisable over a period not exceeding ten years at exercise prices determined by the directors. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant.

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Continued)*

(d) Stock Options *(Continued)*

The number of stock options outstanding at February 28, 2013 is summarized as follows:

	Number Of Options	Weighted Average Exercise
Balance, November 30, 2011	2,340,000	\$ 0.23
Options granted	1,950,000	0.14
Options expired	(940,000)	0.26
Balance, November 30, 2012 and February 28, 2013	3,350,000	0.17
Weighted average fair value per options granted		\$ 0.14

At February 28, 2013 and November 30, 2012, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
450,000	\$0.10	January 31, 2015
950,000	\$0.25	July 17, 2016
1,950,000	\$0.14	April 17, 2017
3,350,000		

At February 28, 2013, the 3,350,000 options outstanding have a weighted average life remaining of 3.91 years.

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9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	February 28, 2013	February 29, 2012
Cash paid for:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ -
Non-cash financing and investing activities:		
Shares issued for mineral property interests	\$ -	\$ -

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable business segment, being the acquisition and exploration of mineral properties located in Mexico. The net loss and assets identifiable with these geographic areas are as follows:

February 28, 2013	Canada	Mexico	Total
Net loss for the period	\$ (50,492)	\$ (941)	\$ (51,433)
Current assets	855,985	35,570	891,555
Equipment	5,016	-	5,016
Mineral properties	-	7,184,540	7,184,540
Total assets	\$ 861,001	\$7,220,110	\$8,081,111
February 29, 2012	Canada	Mexico	Total
Net loss for the period	\$ (115,290)	\$ (5,069)	\$ (120,359)
Current assets	2,222,886	44,703	2,267,589
Equipment	12,885	254	13,139
Mineral properties	-	6,254,220	6,254,220
Total assets	\$2,235,771	\$6,299,177	\$8,534,948

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12. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date, February 28, 2013.

a) Fair Value

The carrying values of cash, accounts receivable, accounts payable to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances primarily in large Canadian chartered banks, and no interest bearing debt. The Company's current policy is to invest cash in Canadian bank savings accounts with interest that varies at prime and guaranteed investment certificates with terms of one year or less.

If interest rates applicable to this floating rate bank account were to increase or decrease by 1%, the Company's annual interest income would increase or decrease by \$8,600 (2012 – \$22,000).

c) Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions, primarily in Canada, and is kept in highly liquid accounts that are closely monitored by management. Credit risk with respect to its accounts receivable is minimal due to the insignificant balances that are primarily due from government agencies.

The Company's maximum exposure to credit risk is as follows:

February 28, 2013	Canada	Mexico	Total
Cash and cash equivalents	\$ 821,148	\$ 35,570	\$856,718
Sales tax receivable	11,304	-	11,304
	\$832,452	\$ 35,570	\$868,022
February 29, 2012	Canada	Mexico	Total
Cash and cash equivalents	\$2,158,156	\$ 43,777	\$2,201,933
Sales tax receivable	31,724	-	31,724
	\$2,189,880	\$ 43,777	\$2,233,657

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12. FINANCIAL INSTRUMENTS *(Continued)*

d) Derivatives – Mineral Properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties (“NSR”), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

e) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company’s cash flow exposure to foreign currency is due mainly to cash, option payments and costs incurred for the development of its mineral properties in Mexico. As at February 28, 2013, the Company’s condensed consolidated interim balance sheets included \$107,147 (2012 – \$65,467) of cash denominated in U.S. currency and \$28,357 (2012 – \$15,832) denominated in Mexican currency; \$NIL (2012 – \$NIL) of accounts payable which were U.S. currency denominated and \$NIL (2012 – \$38,391) of accounts payable which were Mexico currency denominated. The Company does not use, hold or issue financial instruments for trading or speculative purposes. At February 28, 2013 there were no foreign exchange contracts outstanding.

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below. The Company has sufficient funds as at February 28, 2013 to settle its current accounts payable of \$76,715, and its long-term commitments on mineral claims as outlined in Note 6.

In the opinion of management, the working capital of \$814,840 at February 28, 2013 is sufficient to support the Company’s normal operating requirements through its current reporting period. However, taking into consideration the Company’s current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review expenditures in order to ensure adequate liquidity and flexibility to support its exploration and development strategies.

The Company believes that external financing, likely in the form of equity offerings, will be required to complete its major exploration and development projects; however, it is not likely that there will be a need for financing until the first half of 2014.

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13. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. 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 mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. As at February 28, 2013, total managed capital was \$8,004,396 (2012 – \$8,380,377)

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 issue new shares, issue new debt or acquire or dispose of assets.

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

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

The Company expects the capital resources available to it will be sufficient to carry its exploration and development plans and operations for at least the next twelve months.

There were no changes in the Company's approach to capital management during the year ended February 28, 2013. The Company is not subject to externally imposed capital requirements.

