OREX MINERALS INC.
(An Exploration Stage Company)
QUARTERLY REPORT TO SHAREHOLDERS
January 31, 2011
(Expressed in Canadian Dollars)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED JANUARY 31, 2011 AND 2010

Dated: March 21, 2011

Management's Responsibility for Financial Reporting:

The accompanying interim consolidated financial statements have been prepared by management and are in accordance with Canadian Generally Accepted Accounting Principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the interim consolidated financial statements.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these interim filings, and these financial statements together with the other financial information included in these interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these interim filings.

The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports prior to filing.

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.

In particular, forward looking comments regarding the Company's plans and operations included in the "Description of Business" with respect to management's planned exploration and other activities, and in "Liquidity", "Commitments" and "Corporate Summary" regarding management's estimated ability to fund its projected costs of exploration work and general corporate costs of operations and its ability to raise additional funding through placement of the Company's common shares are plans and estimates of management only, and actual results and outcomes could be materially different.

Description of Business:

The Company is engaged primarily in the acquisition and exploration of mineral properties.

SANTA CRUZ, MEXICO:

On June 21, 2007, the Company announced that it had entered into an option agreement with Silverex S.A. de C.V. ("Silverex") to acquire up to a 75% interest in its Santa Cruz property in Durango, Mexico. Under the terms of the agreement, to earn an undivided 50% interest, the Company would issue 100,000 common shares and pay US$800,000 to Silverex upon the TSX Venture Exchange (the "Exchange") acceptance of the agreement. After one year from the date of acceptance, based on the success of the exploration, the Company would issue an additional 100,000 common shares and pay an additional US$800,000. After the second anniversary, the Company would make an additional cash payment to bring the total value of cash payments and share issuances to US$4,000,000. In addition, the Company was required to incur a minimum of US$500,000 of expenditures on the property in each year from the acceptance date for a total period of four years. At any time during this initial four-year program period, the Company had the option to earn an additional undivided 25% interest, having met the above share issue and cash payment requirements, by issuing additional common shares having a deemed value of US$1,000,000 and pay an additional US$3,000,000. Upon earning an undivided 75% interest, Orex and Silverex would participate on a joint venture basis in further exploration and development of the Santa Cruz property.

Description of Business (continued):

SANTA CRUZ, MEXICO (continued):

Pursuant to the terms of the Santa Cruz property agreement, the Company paid acquisition costs of $1,318,700 (US$1,250,000) and issued 200,000 common shares, valued at $270,000, to Silverex. The Company did not complete all required payments under the option agreement and was required to make an additional US$350,000 payment prior to November 1, 2008. During fiscal 2010, Silverex and the Company entered into negotiations to amend the agreement in the best interests of both parties.

In November 2007, the Company paid $506,750 (US$500,000) to reinstate an existing 90 ton/day mill facility to operating condition. The Santa Cruz Mill commenced test operation in mid-June 2008 through to August 2008, when severity of the rainy season lead to a shutdown of the mill due to difficulties moving material from the mining portal to the mill site.

In April 2009, the Company commenced a drill program on Santa Cruz. Diamond drilling was performed by Major Drilling de Mexico, S.A. de C.V. and took place in the Western structural district. This initial phase of drilling consisted of 3,070 metres in 12 holes, starting in the Zambraneña area and continuing northwest toward the Carmen area. The Zambraneña structure is interpreted to be a fault zone, with quartz veining at the contact between an andesite unit and an altered dioritic intrusive. The intrusive also contains multiple zones of quartz veinlet and stringer mineralization. All 12 drill holes hit the target structure, but most were low-grade.

Due to the unfavourable results, in fiscal 2010, the Company decided to terminate the option agreement on Santa Cruz and focus exploration efforts on its new Coneto property. The Company communicated its intent to Silverex and negotiated a termination agreement. Pursuant to the terms of the termination agreement, Silverex and the Company agreed to extinguish all outstanding liabilities and commitments to each other and accordingly, a loss on disposal of mineral property of $1,991,810 was charged to operations during fiscal 2010. This charge consisted of a write-off of capitalized costs for Santa Cruz, in the amount of $2,095,450, and a write-off of an account payable to Silverex in the amount of $103,640.

Ben Whiting, P.Geo., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Santa Cruz property.

CONETO, MEXICO:

On July 16, 2009, the Company signed a letter of intent to purchase 100% of the core mineral concessions within the Coneto silver-gold mining camp in Durango State, Mexico, in exchange for 2,200,000 common shares of the Company. The definitive purchase agreement, signed on September 1, 2009, was subject to the approval of the TSX Venture Exchange. After receiving TSX Venture Exchange approval, on April 15, 2010, the Company issued 2,200,000 shares to the vendors of the Coneto concessions, valued at $2,090,000.

The Coneto property is subject to a 2.5% NSR royalty payable to the vendors.

Located in the Mesa Central on the eastern flank of the Sierra Madre Occidental Mountains, Coneto is centrally positioned in the "Mexican Silver Trend". This silver trend, stretching from Guanajuato in the southeast, through the states of Zacatecas and Durango, hosts some of the world's largest silver deposits, including Real de Angeles, Zacatecas, Fresnillo, La Preciosa, and La Pitarilla mining camps.

The Coneto mining camp has a history going back over 400 years. More than 40 epithermal silver-gold quartz veins have been documented in a window of exposed Tertiary Lower Volcanic andesites. Past underground production was achieved on three of the veins down to the watertable. Very little diamond drilling has been carried out within the property in spite of its long history of episodic production.

The Coneto mining camp historically consisted of approximately 3,300 hectares of claims. During 2010, the Company announced its successful applications to locate new mineral concessions called Lomas 3 and Lomas 4, which surround the historical claims. With the addition of these new mineral concessions, the total area of the Coneto property increased to 16,346 hectares.

Description of Business (continued):

CONETO, MEXICO (continued):

The initial work program on this property consisted of detailed structural geology mapping and geochemical sampling in the areas around Calaveras, Colemanito, Promontorio, Loma Verde, Durazno and Impulsora. This program was designed to guide a diamond drilling program. As of December 2009, regional geology mapping at 1:10,000 scale covered 35 sq km and detailed structural geology mapping at 1:500 scale covered 15 sq km. Forty-nine line-kilometres of geochemical sampling, both for soil and rock channel/chip/grab, total 1,794 samples. The Loma Verde, Promontorio and Impulsora sectors yielded multiple anomalous values for gold and silver.

The Phase-I drilling campaign of approximately 5,000 metres of HQ and NQ diameter core commenced in May 2010 and was performed by Major Drilling de Mexico, S.A. de C.V. utilizing a surface UDR-200 rig. A total of 21 holes were completed in the Loma Verde, Durazno, Promontorio, Impulsora, Estrella-Calaveras and Sauce-Palma areas. Over 2,000 drill core samples were submitted for analyses to SGS Mineral Services in Durango, Mexico. The assay results of the drilling campaign were announced by news releases on July 6, 2010, August 9, 2010 and November 1, 2010. Nine holes yielded high values for gold and silver, especially in the Loma Verde and Impulsora areas.

On February 10, 2011, the Company announced that it had signed a non-binding letter of intent with Fresnillo PLC (“Fresnillo”) to jointly explore the contiguous mineral concessions held by the Company and Fresnillo in the Coneto mining district. The mineral concessions held by Fresnillo will add an area of 1,977 hectares to the Coneto land package. The principal terms of the letter of intent are:

(a) Fresnillo will spend a minimum of US$2,000,000 on exploration during the first year within the Coneto mining concessions.

(b) Fresnillo will have the option to spend an additional US$2,000,000 per year on exploration for each of the following two years.

(c) Upon Fresnillo spending an aggregate of US$6,000,000 on exploration activities, the Company and Fresnillo will each contribute their respective Coneto mining concessions to a new company (“NewCo”) that initially would be owned 55% by Fresnillo and 45% by the Company.

(d) Fresnillo will have the right to increase its ownership of NewCo to 70% by advancing the Coneto project to the pre-feasibility stage.

(e) Following the delivery of a pre-feasibility report, any additional funding required will be provided by the Company and Fresnillo in proportion to their respective ownership interests in NewCo.

(f) Fresnillo will have a right of first refusal to acquire the Company’s ownership interest in NewCo if the Company proposes to sell it to a third party.

(g) Fresnillo will participate in a unit private placement of the Company’s common shares for a total consideration of $2,000,000. The price per unit will be set at $0.80 and will close on the execution of the definitive joint venture transaction documents. Each unit will consist of one common share and one half of one share purchase warrant. Each whole share purchase warrant will be valid for 24 months from the date of the private placement, and entitle Fresnillo to purchase one additional common share of the Company at a price of $1.00 per share.

(h) During the life of the joint venture, in the event that the Company, enters into a transaction to acquire an interest in any additional mineral properties in Mexico, and then later decides to sell or option out that interest to a third party, Fresnillo will have a right of first refusal to participate in such transaction on the same terms and conditions as offered to the third party.

(Expressed in Canadian Dollars)

Description of Business (continued):

CONETO, MEXICO (continued):

The Company expects to enter a definitive agreement with Fresnillo shortly, per the terms indicated in the letter of intent.

Ben Whiting, P.Geo., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Coneto property.

LAS MESAS, MEXICO:

On November 30, 2010, the Company entered into an option agreement to acquire a 100% interest in the Las Mesas property in Durango, Mexico from La Cuesta International, S.A. de C.V. (“La Cuesta”) for US$4,000,000, less any option maintenance payments, as described below, paid prior to the exercise of the option. To initiate the option agreement, the Company paid La Cuesta $35,200 (US$35,000) in cash.

Las Mesas is a large grassroots exploration project located along an altered portion of a major regional fault structure, with associated geophysical and geochemical anomalies. It is interpreted to contain the surface expressions of buried mineralized intrusive centres. Pathfinder elements match the “tops” halo pattern for gold-silver mineralization. This mineral concession of 24,732 hectares is located on the Mesa Central, a high plateau region on the eastern flanks of the Sierra Madre Occidental mountains, centred about 43 km south of the mining town of Santa Maria del Oro and about 45 km west-northwest of the Pitarrilla Ag-Au deposit of Silver Standard, in the “Mexican Silver Trend”.

A program of geological mapping and geochemical sampling has been initiated to evaluate five target areas. A Phase-I diamond drilling program is planned to commence shortly for the first target area.

To maintain the option to acquire the Las Mesas property in good standing, the Company is required to make cash payments to La Cuesta per the following schedule:

Fiscal Year	Option Maintenance Payments
2011	US$ 15,000
2012	12,500
2013	20,000
2014	30,000
2015 and subsequent years	40,000

In addition, the Company was required to incur exploration expenditures of US$50,000 on the Las Mesas property prior to December 1, 2011. The Company completed this spend requirement during the third quarter of fiscal 2011.

The Las Mesas property is subject to a 1.0% NSR royalty payable to La Cuesta. The minimum payment under the NSR royalty will be US$80,000 per year if the Las Mesas property is placed into production prior to exercise of the option.

Ben Whiting, P.Geo., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Las Mesas property.

Description of Business (continued):

BARSELE, SWEDEN:

On October 27, 2010, the Company signed a letter of intent with Barsele Guld A.B. ("Barsele Guld"), a wholly-owned subsidiary of Northland Resources S.A. ("Northland") to purchase all of the issued and outstanding shares of two Swedish companies, Gunnarn Mining A.B. ("Gunnarn Mining") and its wholly-owned subsidiary, Gunnarn Exploration A.B. ("Gunnarn Exploration"). The primary assets of Gunnarn Mining are mining claims for the Barsele Central, Avan, Skiråsen and Norra resource areas located in northern Sweden, collectively known as the Barsele property.

The Company and Barsele Guld anticipate signing a final agreement shortly, subject to approval by the TSX Venture Exchange. As part of its due diligence prior to signing a final agreement, the Company will obtain a legal opinion on the validity and transferability of the Barsele claims and obtain assurance from the relevant Swedish authority that the work program the Company proposes to undertake on various expired claims at Barsele will allow the Company to gain ownership of them.

Under the terms of the final agreement, as consideration for all of the issued and outstanding shares of Gunnarn Mining and Gunnarn Exploration, the Company will agree to make the following payments to Barsele Guld, in cash and issuances of common shares of the Company:

(a) On completing the final agreement, US$2,000,000, of which US$500,000 will be held in an escrow account between the date the agreement is signed and the date the agreement is completed, during which period, the Company will seek the necessary regulatory approval of the agreement by the TSX Venture Exchange;

(b) On completing the final agreement, the lesser of 2,000,000 common shares or the number of common shares worth US$1,000,000. If the value of the common shares issued is less than US$1,000,000, the balance shall be paid in cash;

(c) On the 1st anniversary of completing the final agreement, US$1,000,000 plus the lesser of 1,000,000 common shares or the number of common shares worth US$500,000. If the value of the common shares issued is less than US$500,000, the balance shall be paid in cash;

(d) On the 2nd anniversary of completing the final agreement, US$2,000,000;

(e) On the 3rd anniversary of completing the final agreement, the lesser of 2,000,000 common shares or the number of common shares worth US$1,000,000. If the value of the common shares issued is less than US$1,000,000, the balance shall be paid in cash;

(f) On the 4th anniversary of completing the final agreement, the lesser of 2,000,000 common shares or the number of common shares worth US$1,000,000. If the value of the common shares issued is less than US$1,000,000, the balance shall be paid in cash.

In addition, the Company will agree to make direct exploration expenditures as follows:

(a) Before the 1st anniversary of completing the final agreement, US$1,000,000 of exploration expenditures;

(b) Before the 2nd anniversary of completing the final agreement, an additional US$2,000,000 of exploration expenditures.

The Company will pay a finder's fee upon completing the final agreement.

Barsele Guld will retain a 2 per cent net smelter royalty on the Barsele property which the Company may purchase at any time for US$2,000,000 per percentage point, or a total of US$4,000,000.

After completing the 1st anniversary cash payment and share issuance, as well as having incurred US$3,000,000 in cumulative exploration expenditures, the Company will have the option of returning the shares of Gunnarn Mining and Gunnarn Exploration to Barsele Guld in order to extinguish any further obligations under the terms of the agreement. The Company will retain this option until 30 days prior to the 2nd anniversary of completing the final agreement.

Description of Business (continued):

BARSELE, SWEDEN (continued):

The Barsele property is located 40 km southeast of the town of Storuman in Västerbottens Län, a regional district of northern Sweden approximately 600 km due north of Stockholm. Exploration in the project area has been ongoing for more than 25 years. Since 1985, a total of 398 diamond drill holes (43,609 metres) have been drilled and in 2006, Northland completed a National Instrument 43-101 technical report which contained resource estimates of both indicated and inferred resources and was filed on SEDAR by Northland on April 13, 2006.

The Central-Avan-Skiråsen (CAS) Zone at Barsele contains most of the documented gold in the 2006 resource report with a grade similar to other gold deposits in the area. In the CAS Zone, gold mineralization is predominantly within a granodiorite that has been deformed, sheared and intruded by late stage quartz veins and ranges in width from 200 to 500 metres, with a strike-extent in excess of eight kilometres. The Central and Skiråsen Zones have a combined strike length of 1,350 metres and a width of 250 metres. The Avan Zone has a strike length of 1,400 metres and a width varying from 200 to 500 metres. Base metal content of this deposit is typically low.

The Norra Zone, a small massive sulphide deposit, contains the balance of the gold reported in the 2006 resource report although the overall grade for this deposit is higher than at the CAS Zone. In the Norra Zone, sulphide mineralization is exposed in two open trenches in the centre of the drilled zone. Based on drilling, the footprint of the main mineralized body at Norra is 300 metres in strike-length and 50 metres in width.

On February 28, 2011, the Company reported that an independently verified mineral resource estimate had been completed on the Barsele property. The study concluded that drilling to date on the Central-Avan-Skiråsen Zones, at a 0.6g/t cut-off, outlined an Indicated Resource of 9.97 million tonnes grading 1.19 g/t gold or 382,000 contained ounces of gold. In addition, the study estimated additional Inferred Resources of 21.04 million tonnes grading 0.96 g/t gold or 648,000 contained ounces of gold.

A new estimate was also prepared for the Norra volcanogenic massive sulphide deposit, at a 0.6g/t Au cut-off that outlined an Indicated Resource of 110,000 tonnes grading 3.13 g/t gold, 30.27 g/t silver, 0.53% copper and 0.72% zinc . The study also estimated additional Inferred Resources of 310,000 tonnes grading 1.62 g/t gold, 12.69 g/t silver, 0.26% copper and 0.42% zinc.

The Company expects to file an updated National Instrument 43-101 compliant technical report on SEDAR shortly.

The Company's planned exploration program will include an airborne geophysical survey and ground geophysical surveys followed by diamond drilling to test both the strike extensions and depth potential of the deposits outlined to date. In addition, the Company will collect and assay a bulk sample from the Central Zone to confirm the grade indicated by a previous one-tonne bulk surface sample, which returned a grade of 5.1 g/t gold, considerably higher than the average grade of the drill hole samples in this area. At least three other target areas of known gold and/or base metal mineralization have been reported from the various generations of regional exploration outside the CAS and Norra Zones. Further exploration is warranted in these zones.

George Cavey, P.Geo., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Barsele property.

(Expressed in Canadian Dollars)

Results of Operations for the Three Months Ended January 31, 2011 and 2010:

During the third quarter of fiscal 2011, the Company incurred exploration expenses amounting to $329,165, which is 41 per cent higher than the $233,522 incurred in the third quarter of fiscal 2010. The current quarter expenses consisted of geological costs of $171,580, assay costs of $12,118 and other general exploration costs of $145,467. The current quarter exploration expenditures were incurred on the Las Mesas, Barsele and Coneto properties whereas essentially all of the costs in the third quarter of 2010 were incurred on the Coneto property.

General operating costs totalled $355,733 for the third quarter of fiscal 2011, which is 55 per cent higher than the $229,492 incurred in the third quarter of fiscal 2010. Professional fees of $173,197, incurred to prepare the definitive agreement for the Barsele property, were up significantly from the $14,691 incurred in the third quarter of 2010. Other costs were consistent with those incurred in the same period of last year.

The loss in the third quarter of fiscal 2011 amounted to $689,793 or $0.03 per share, which is 51 per cent higher than the loss in the third quarter of last year, of $456,826 or $0.02 per share. The increase can be attributed primarily to higher exploration expenditures and higher professional fees related to preparation of the final agreement for the Barsele property.

Results of Operations for the Nine Months Ended January 31, 2011 and 2009:

During the first nine months of fiscal 2011, the Company incurred exploration expenses amounting to $1,305,407, which is 7 per cent higher than the $1,224,411 incurred in the first nine months of fiscal 2010. The current year expenses consisted of drilling costs of $474,188, geological costs of $387,108, assay costs of $83,626 and other general exploration costs of $360,485. Of the current year exploration expenditures, $982,188 were incurred on the Coneto property, $161,497 were incurred on the Las Mesas property, $135,706 were incurred on the Barsele property and $26,016 were incurred to conduct due diligence on other properties. The costs in the first nine months of 2010 were primarily incurred on the Santa Cruz and Coneto properties.

General operating costs totalled $951,308 for the first nine months of fiscal 2011, which is 25 per cent higher than the $760,092 incurred in the first nine months of fiscal 2010. Costs associated with preparing the letter of intent and final agreement to acquire the Barsele property resulted in higher professional fees of $242,234, compared to $59,998 incurred in the first nine months of 2010. Office and administrative fees of $102,612 were up significantly from $61,441 incurred last year, with the increase primarily due to the cost of filing submissions with the Mexican government for recovery of VAT taxes. Due to travel required during negotiations for the Barsele property in Sweden, travel costs of $105,479 were higher, compared to $64,737 incurred in the first nine months of last year. Offsetting these increases, stock-based compensation expense was lower this year as the Company recorded a $42,357 charge to reflect the imputed non-cash cost of stock options to directors, officers and consultants that vested in the period, compared to a charge of $100,616 recorded last year. Other costs were consistent with those incurred in the first nine months of last year.

The loss in the first nine months of fiscal 2011 amounted to $2,263,222 or $0.10 per share, which is 16 per cent higher than the loss in the first nine months of last year, of $1,954,923 or $0.12 per share. The increase can be attributed primarily to higher professional fees and travel costs incurred in relation to the acquisition of the Barsele property.

Property Acquisition Costs:

	Santa Cruz, Mexico	Coneto, Mexico	Las Mesas, Mexico	Total
Balance, as at April 30, 2009	2,095,450	-	-	2,095,450
Acquisition costs	-	2,090,000	-	2,090,000
Write-off	(2,095,450)	-	-	(2,095,450)
Balance, as at April 30, 2010	-	2,090,000	-	2,090,000
Acquisition costs	-	-	35,200	35,200
Balance, as at January 31, 2011	$ -	$ 2,090,000	$ 35,200	$ 2,125,200

(Expressed in Canadian Dollars)

Property Acquisition Costs (continued):

During fiscal 2010, the Company received assay results of its drill program on Santa Cruz and due to the unfavourable results, the Company decided to terminate the option agreement. The Company communicated its intent to Silverex and negotiated a termination agreement, pursuant to which, the Company recorded a write-off of capitalized costs for Santa Cruz in the amount of $2,095,450.

On July 16, 2009, the Company signed a letter of intent to purchase 100% of the core mineral concessions within the Coneto silver-gold mining camp in Durango State, Mexico, in exchange for 2,200,000 common shares of the Company. The definitive purchase agreement, signed on September 1, 2009, was subject to the approval of the TSX Venture Exchange. After receiving TSX Venture Exchange approval, on April 15, 2010, the Company issued 2,200,000 shares to the vendors of the Coneto concessions, valued at $2,090,000.

On November 30, 2010, the Company entered into an option agreement to acquire a 100% interest in the Las Mesas property in Durango, Mexico from La Cuesta International, S.A. de C.V. (“La Cuesta”) for US$4,000,000, less any option maintenance payments, as described above, paid prior to the exercise of the option. To initiate the option agreement, the Company paid La Cuesta $35,200 (US$35,000) in cash.

Property Exploration Expenditures for the Nine Months Ended January 31, 2011 and 2009:

Total Expenditures for the Nine Months Ended January 31, 2011	**Barsele, Sweden**	**Coneto, Mexico**	**Las Mesas, Mexico**	**Other Properties**	**Total**
	$	$	$	$	$
Drilling	-	474,188	-	-	474,188
Geological	67,833	234,122	72,638	12,515	387,108
Assay	-	71,508	11,684	434	83,626
General exploration	67,873	202,370	77,175	13,067	360,485
	135,706	982,188	161,497	26,016	1,305,407

Total Expenditures for the Nine Months Ended January 31, 2010	**Santa Cruz, Mexico**	**Coneto, Mexico**	**Other Properties**	**Total**
	$	$	$	$
Drilling	318,867	-	-	318,867
Geological	68,242	236,387	11,900	316,529
Assay	67,446	68,068	-	135,514
Site costs	259,999	-	-	259,999
General exploration	30,858	162,644	-	193,502
	745,412	467,009	11,900	1,224,411

(Expressed in Canadian Dollars)

Selected Annual Financial Information:

		For the Year Ended April 30, 2010	For the Year Ended April 30, 2009	For the Year Ended April 30, 2008
Total revenues		Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:				
(i)	total for the year	$ 5,190,041	$ 3,038,835	$ 2,034,009
(ii)	per share	0.06	0.06	0.05
(iii)	per share fully diluted	0.06	0.06	0.05
Net loss:				
(i)	total for the year	$ 5,190,041	$ 3,038,835	$ 2,034,009
(ii)	per share	0.06	0.06	0.05
(iii)	per share fully diluted	0.06	0.06	0.05
Total assets		$ 3,721,185	$ 2,664,803	$ 2,516,307
Total long-term financial liabilities		Nil	Nil	Nil
Cash dividends declared per-share		Nil	Nil	Nil

In fiscal 2010, the loss for the year increased significantly due to a write-off of the Santa Cruz property in the amount of $1,991,810. Exploration, primarily on the Santa Cruz and Coneto properties, cost a combined $1,489,819. General operating costs were up significantly from prior years at $1,818,273 due to the inclusion of a $933,480 charge for stock-based compensation.

In fiscal 2009, the loss for the year was significantly higher than prior years due to higher exploration costs of $2,119,600 associated with initiating a drill program on the Santa Cruz property in Mexico. General operating costs were lower than prior years at $873,685 and included a $191,719 charge for stock-based compensation.

In fiscal 2008, the loss for the year was lower than the previous year as the focus of exploration, which cost $1,024,237, transitioned to the Company's new Santa Cruz property in Mexico. General operating costs were also slightly lower than prior years at $966,740 and included a $324,926 charge for stock-based compensation.

Selected Quarterly Financial Information:

		4th Quarter Ended April 30, 2011	3rd Quarter Ended January 31, 2011	2nd Quarter Ended October 31, 2010	1st Quarter Ended July 31, 2010
(a)	Revenue		Nil	Nil	Nil
(b)	Loss for period		$ 689,793	$ 470,460	$ 1,102,969
(c)	Loss per share		$ 0.03	$ 0.02	$ 0.05
		4th Quarter Ended April 30, 2010	**3rd Quarter Ended January 31, 2010**	**2nd Quarter Ended October 31, 2009**	**1st Quarter Ended July 31, 2009**
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	$ 3,235,118	$ 456,826	$ 536,180	$ 961,917
(c)	Loss per share	$ 0.16	$ 0.02	$ 0.04	$ 0.07
		4th Quarter Ended April 30, 2009	**3rd Quarter Ended January 31, 2009**	**2nd Quarter Ended October 31, 2008**	**1st Quarter Ended July 31, 2008**
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	$ 998,364	$ 603,195	$ 689,273	$ 748,003
(c)	Loss per share	$ 0.08	$ 0.06	$ 0.07	$ 0.08

Selected Quarterly Financial Information (continued):

Exploration costs of $329,165 in the third quarter of 2011 were incurred on the Las Mesas, Barsele and Coneto properties. General operating costs for the third quarter were $355,733, including $173,197 for professional fees related to preparing the final agreement to acquire the Barsele property.

Exploration costs of $156,321 in the second quarter of 2011 were significantly lower than the two prior quarters when the Company conducted a drill program on its Coneto property. As a result, the loss in the second quarter was primarily due to general operating costs of $317,515.

The loss in the first quarter of fiscal 2011 was primarily due to exploration costs, which amounted to $819,922, as the Company completed its drill program on the Coneto property. General operating costs for the first quarter were $278,059.

The loss in the first quarter of fiscal 2010 was primarily due to exploration costs, which amounted to $798,083, as the Company completed its drill program on the Santa Cruz property. Exploration expenditures for the second, third and fourth quarter of fiscal 2010, of $192,807, $233,522 and $265,407 respectively, were lower than previous quarters as the Company conducted very little work on Santa Cruz and focused on an initial work program on the Coneto property. General operating costs for the first, second third and fourth quarter were $188,072, $342,527, $229,492 and $1,058,182 respectively. The costs for the second and fourth quarter of fiscal 2010 included a charge of $96,231 and $832,864 respectively, for stock-based compensation. The fourth quarter of 2010 also included a write-off of the Santa Cruz property in the amount of $1,991,810.

The loss in each quarter of fiscal 2009 was primarily due to the exploration costs on the Santa Cruz property, which amounted to $476,091, $466,866, $462,846 and $713,797 for the first, second, third and fourth quarters respectively. For the fourth quarter of fiscal 2009, a major component of general operating expenses was a charge of $85,034 for stock-based compensation recorded to reflect the computed value of stock options that vested in the period.

Outstanding Share Data:

(a) Share consolidation

On October 19, 2010, the Company consolidated its issued and outstanding common shares on a 5 old for 1 new basis. Trading of the consolidated shares commenced on October 20, 2010. All share and per share amounts in these financial statements have been changed to reflect the share consolidation.

Although the consolidation did not result in a modification of the quantity or exercise price of options and warrants which were outstanding on October 19, 2010, the conversion ratio of these options and warrants, originally 1:1, was modified to 1:5. The conversion ratio describes the number of shares that are issuable upon the exercise of one option or warrant. As no partial shares will be issued, these options and warrants with a 1:5 conversion ratio may only be exercised in multiples of five. All disclosures in these financial statements of the number of options and warrants and their exercise prices reflect the number and cost of the underlying shares that will be issued upon their exercise.

New options or warrants issued subsequent to October 19, 2010 will have a conversion ratio of 1:1.

(Expressed in Canadian Dollars)

Outstanding Share Data:

(b) Share capital and contributed surplus (continued)

	Number of Shares	Share Capital	Contributed Surplus
Authorized:			
Unlimited number of common shares without par value			
Issued:			
Balance at April 30, 2009	13,024,294	$ 11,172,203	$ 1,516,443
Private placement	6,505,000	3,505,000	-
Finders Fees	487,875	262,875	-
Mineral properties	2,200,000	2,090,000	-
Warrants exercised	468,275	428,706	-
Options exercised	40,600	63,192	(42,892)
Stock-based compensation	-	-	933,480
Share issuance costs	-	(306,664)	-
Balance at April 30, 2010	22,726,044	17,215,312	2,407,031
Warrants exercised	1,565,477	1,174,108	-
Options exercised	70,000	80,845	(43,345)
Stock-based compensation	-	-	42,357
Balance at January 31, 2011	24,361,521	18,470,265	2,406,043
Private placement	4,653,000	3,722,400	-
Finders Fees	159,425	127,540	-
Warrants exercised	1,479,622	1,109,717	-
Stock-based compensation	-	-	3,047
Share issuance costs	-	(162,312)	-
Balance at March 14, 2011	30,653,568	$ 23,267,610	$ 2,409,090

On March 4, 2011, the Company issued 4,653,000 units at $0.80 per unit for gross proceeds of $3,722,400 under a non-brokered private placement. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $1.00 per common share for a total of 2,326,500 shares. In connection with the private placement, the Company paid cash of $14,000 and issued 159,425 units valued at $127,540 as a commission, with the units having terms similar to those issued under the private placement. The Company incurred other cash share issuance costs of $20,772 on the private placement. The Company had received share subscriptions of $219,750 toward this private placement during the third quarter of fiscal 2011.

On June 22, 2009, the Company issued 505,000 units at $1.00 per unit for gross proceeds of $505,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $1.50 per common share for a total of 252,500 shares. The full value of $505,000 was assigned to the common shares. In connection with the private placement, the Company issued 37,875 units valued at $37,875 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $12,174 on the private placement. The Company received share subscriptions of $485,000 toward this private placement during fiscal 2009.

(Expressed in Canadian Dollars)

Outstanding Share Data (continued):

(a) Share capital and contributed surplus (continued)

On October 14, 2009, the Company issued 6,000,000 units at $0.50 per unit for gross proceeds of $3,000,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.75 per common share, for a total of 3,000,000 shares. The full value of $3,000,000 was assigned to the common shares. In connection with the private placement, the Company issued 450,000 units valued at $225,000 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $31,615 on the private placement.

(b) Stock options and warrants

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. Under the plan, the board of directors has the discretion to issue the equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. Stock options are generally for a term of up to five years from the date granted and are exercisable at a price that is not less than the market price on the date granted. Vesting terms are determined at the discretion of the board of directors. Options issued to consultants providing investor relations services must vest in stages over a minimum of 12 months with no more than one-quarter of the options vesting in any three-month period.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		**Stock Options**	
	Number of Shares	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**
Outstanding, April 30, 2009	4,243,750	$ 0.80	907,400	$ 1.11
Granted	3,496,437	0.81	1,210,000	0.99
Exercised	(468,275)	0.92	(40,600)	0.50
Expired	(493,750)	1.00	(10,000)	2.00
Outstanding, April 30, 2010	6,778,162	0.78	2,066,800	0.81
Granted	-	-	70,000	0.90
Exercised	(1,565,477)	0.75	(70,000)	0.54
Forfeited	-	-	(50,000)	0.50
Outstanding, January 31, 2011	5,212,685	0.78	2,016,800	0.84
Granted	2,406,212	1.00	-	-
Exercised	(1,479,622)	0.75	-	-
Expired	(363,126)	0.75	-	-
Outstanding, March 14, 2011	5,776,149	$ 0.89	2,016,800	$ 0.84

(Expressed in Canadian Dollars)

Outstanding Share Data (continued):

(b) Stock options and warrants (continued)

The following options and warrants to acquire common shares of the Company were outstanding at January 31, 2011 and March 14, 2011:

	Number of Shares January 31, 2011	Number of Shares March 14, 2011	Exercise Price $	Expiry Date
Options				
	119,800	119,800	0.50	June 7, 2014 (1)
	176,000	176,000	0.50	September 11, 2011 (1)
	30,000	30,000	2.15	September 11, 2011
	40,000	40,000	0.50	November 6, 2011
	5,000	5,000	0.50	May 9, 2012
	266,000	266,000	0.50	September 27, 2012 (1)
	10,000	10,000	1.35	September 27, 2012
	40,000	40,000	0.50	June 17, 2013 (1)
	50,000	50,000	0.50	December 19, 2013
	60,000	60,000	0.75	July 17, 2011
	1,150,000	1,150,000	1.00	April 28, 2015
	70,000	70,000	0.90	June 9, 2015
Warrants				
	1,842,748	-	0.75	February 24, 2011
	271,437	271,437	1.50	June 22, 2011
	3,098,500	3,098,500	0.75	October 14, 2011
	-	2,406,212	1.00	March 4, 2013

(1) During the fourth quarter of fiscal 2010, a total of 394,000 options were repriced to $0.50 per share upon receiving disinterested shareholder approval at the Company's annual general meeting on September 29, 2009, resulting in additional stock-based compensation of $52,125.

Liquidity:

The Company's cash position decreased from the opening level of $1,349,967 at the beginning of the year to the period-end level of $883,681.

The operating loss for the period of $2,263,222, after adjustments for non-cash items and changes in other working capital balances, required total cash funding of $1,862,444.

The Company paid $35,200 (US$35,000) to initiate an option agreement to acquire 100% interest in the Las Mesas property.

Funding was received during the period from the exercise of stock options and warrants whereby the Company issued 1,635,477 common shares for cash proceeds of $1,211,608. The Company also received $219,750 in share subscriptions to a private placement that was completed in the fourth quarter of fiscal 2011.

To summarize, the funds on hand at the beginning of the year of $1,349,967, supplemented by the net cash proceeds from financing activities aggregating $1,431,358 were used to fund the cash requirements for operations in the period of $1,862,444 and to make an initial payment of $35,200 for the Las Mesas option agreement such that at January 31, 2011, the Company held $883,681 in its accounts.

Commitments:

Subject to satisfactory results of its due diligence and approval from the TSX Venture Exchange, the Company expects to enter a definitive agreement to purchase the Barsele property, at which time, it will have commitments to make cash payments, issue common shares, and incur exploration expenditures, as summarized above in the "Description of Business – Barsele, Sweden" comments above.

Corporate Summary:

On March 4, 2011, the Company completed a private placement whereby it issued 4,653,000 units at $0.80 per unit for gross proceeds of $3,722,400 under a non-brokered private placement. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $1.00 per common share for a total of 2,326,500 shares. In connection with the private placement, the Company paid cash of $14,000 and issued 159,425 units valued at $127,540 as a commission, with the units having terms similar to those issued under the private placement. The Company incurred other cash share issuance costs of $20,772 on the private placement.

The Company also anticipates completing an additional unit private placement of $2,000,000 with these same terms, as part of the agreement expected to be signed shortly with Fresnillo to jointly explore the Coneto mining district.

Currently, management believes that the Company has adequate funds on hand to complete the initial US$2,000,000 payment required for the acquisition of the Barsele property, spend a minimum of US$1,000,000 on exploration of the Barsele property within the first year following completion of the acquisition, conduct a Phase-I diamond drilling program on the Las Mesas property and to sustain its corporate operations for the next 12 months. However, management anticipates additional funds will be required if the Company elects to expand the exploration programs on the Barsele or Las Mesas properties beyond what is currently scheduled for the next 12 months, and that new funding will be raised by a private placement of common shares.

While there has been great volatility in the stock markets, which may raise questions about the Company's ability to raise new capital and thereby sustain or expand its operations, the Company very recently succeeded in raising in excess of $3.7 million on the strength of its pending acquisition of the Barsele property. However, there is no certainty that the Company will be successful in its efforts to raise new capital, which would cause the Company to reconsider its viability as a going concern at that time and how best to sustain a reduced level of operations, pending a return to better market conditions when a financing could be completed.

Capital Resources:

The Company had $4.8 million in cash as of March 14, 2011. The Company will continue to seek capital, as needed, through public markets by issuing common shares pursuant to private placements.

Related Party Transactions:

During the nine months ended January 31, 2011, the Company entered into the following transactions with related parties:

(a) Paid or accrued management fees of $132,100 (2010 - $125,400) to companies controlled by the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary of the Company for management services provided to the Company and performed by these individuals.

(b) Paid or accrued rent of $54,000 (2010 - $58,650) to Orko Silver Corp., a company with common directors.

(c) Paid or accrued geological fees of $45,000 (2010 - $45,000) to a company controlled by a director for geological consulting services provided to the Company and performed by this individual. These amounts were included in exploration expenditures.

These transactions have been in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

Off Balance Sheet Arrangements:

The Company has no material off balance sheet arrangements in place.

Investor Relations:

In April 2009, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with A.J.F. Consultants Ltd. was terminated in August 2010.

In June 2010, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with General Research GmbH, based in Munich, Germany, is for a period of one year and may, at the agreement of both parties, be extended following completion of the initial term. The agreement is subject to termination with 30 days notice.

Adoption of New Accounting Standards and Developments:

The Company did not adopt any new accounting standards during the current period.

Future Accounting Pronouncements:

(a) International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. The Company has begun assessing the adoption of IFRS for fiscal 2012 and is currently assessing the financial reporting impact of the transition to IFRS and its choices under IFRS 1.

(b) Business combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

<u>IFRS Changeover Plan Disclosure:</u>

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises. The effective changeover date for the Company is May 1, 2011, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of fiscal 2011 including comparative IFRS financial results and an opening balance sheet as at May 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended April 30, 2012 with restated comparatives for the year ended April 30, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at May 1, 2010, any necessary conversion adjustments and reconciliations, preparation of fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, the IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Management intends to conduct an IFRS educational session for the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, identified to date by management, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

IFRS Changeover Plan Disclosure (continued):

(a) Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, “Impairment of Assets” uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

(b) Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the accelerated amortization method and therefore the adoption of IFRS 2 is not expected to have an impact on the Company’s financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is currently using the estimate of forfeitures when determining the number of equity instruments expected to vest.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

(c) Exploration and Evaluation Assets

Under the Company’s current accounting policy, acquisition costs of mineral properties are capitalized. Direct exploration and development costs are expensed as incurred until the mineral property is determined to be economically viable.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board (“IASB”) Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or choose to keep the Company’s existing policy, if relevant and reliable.

Going forward under IFRS, management will decide whether or not to fully adopt IFRS 6, which may have a material impact on the Company’s consolidated financial statements prepared under IFRS.

(d) Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment (“PP&E”) can be measured at fair value or at cost, while under Canadian GAAP, the Company has to carry PP&E on a cost basis and revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. Currently, the Company does not have any property, plant and equipment and as a result, management does not anticipate that there will be a material impact on the adoption of either IFRS model on the Company’s consolidated financial statements prepared under IFRS.

In accordance with IAS 16 “Property, Plant and Equipment”, upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and account for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

IFRS Changeover Plan Disclosure (continued):

(e) Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently, the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements.

As events and conditions relevant to the Company change, management will need to re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances, which may have a material impact on the Company's consolidated financial statements prepared under IFRS.

(f) Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS, subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12 "Income Taxes" will not have a significant impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the potential impact of the IFRS adoption at the transition date on its financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company's current operations, it is management's opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required for its consolidated financial statements prepared under IFRS.

The Company currently does not have any debt covenants, capital requirements, compensation arrangements, or material contracts that impact its current business activities that would affect the conversion to IFRS.

Management, members of the board of directors and audit committee have the required financial reporting expertise to ensure the adequate organization and transition to IFRS.

Financial Instruments:

(a) Fair value of financial instruments

The Company has various financial instruments including cash, receivables, and accounts payable and accrued liabilities. Cash is carried at fair value using a level 1 fair value measurement. The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

(b) Concentrations of business risk

The Company maintains a majority of its cash with a major Canadian financial institution and the remainder of its cash with a major Mexican financial institution. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

As the Company operates in an international environment, some of the Company's transactions are denominated in currencies other than the Canadian dollar. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity.

(c) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectability of receivables. The Company believes its credit risk is low because its receivables are primarily comprised of input value-added tax (IVA) and harmonized (HST), which are recoverable from the governing body in Mexico and Canada respectively. As the Company's exploration operations are conducted solely in Mexico, the Company's operations are also subject to the economic risk associated with that country.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

(e) Foreign exchange risk

A significant portion of the Company's operational transactions are originally or effectively denominated in US dollars. As well, because the Company's primary operations are in Mexico, some costs are denominated in Mexican pesos. Accordingly, the results of the Company's operations and comprehensive loss as stated in Canadian dollars will be impacted by exchange rate fluctuations. The Company does not hedge its exposures to movements in the exchange rates at this time.

The Company's exposure to foreign currency risk is on its cash, receivables and accounts payable and accrued liabilities. At January 31, 2011, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a $3,000 effect on loss and comprehensive loss while a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Mexican Peso would have a $10,000 effect.

(f) Interest rate risk

The Company has interest rate risk arising from its bank deposits. The Company does not engage in any hedging activity to reduce its exposure to interest rate risk. Based on bank deposit balances at January 31, 2011, a hypothetical change of 1% in the interest rate would have a $2,000 effect on net loss and comprehensive loss for the upcoming quarter.

Financial Instruments (continued):

(g) Price risk

Mineral prices, in particular gold and silver, are volatile, and have fluctuated sharply in recent periods. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day and hour to hour. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

Subsequent Events:

(a) On February 10, 2011, the Company announced that it had signed a non-binding letter of intent with Fresnillo to jointly explore the contiguous mineral concessions held by the Company and Fresnillo in the Coneto mining district. As well, Fresnillo will participate in a unit private placement of the Company's common shares for a total consideration of $2,000,000. The price per unit will be set at $0.80 and the private placement will close on the execution of the definitive joint venture transaction documents. Each unit will consist of one common share and one half of one share purchase warrant. Each whole share purchase warrant will be valid for 24 months from the date of the private placement, and entitle Fresnillo to purchase one additional common share of the Company at a price of $1.00 per share.

(b) On March 4, 2011, the Company issued 4,653,000 units at $0.80 per unit for gross proceeds of $3,722,400 under a non-brokered private placement. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $1.00 per common share for a total of 2,326,500 shares. In connection with the private placement, the Company paid cash of $14,000 and issued 159,425 units valued at $127,540 as a commission, with the units having terms similar to those issued under the private placement. The Company incurred other cash share issuance costs of $20,772 on the private placement.

(c) Between February 1, 2011 and March 14, 2011, the Company issued 1,479,622 common shares on the exercise of warrants, for cash proceeds of $1,109,717.

Additional Information:

Additional information relating to the Company may be accessed on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.