1100 – 1199 West Hastings Street,
Vancouver, BC, V6E 3T5
Tel: 604-684-9384 Fax: 604-688-4670
www.southernsilverexploration.com

Condensed Consolidated Interim Financial Statements
Nine Months Ended January 31, 2012
Expressed in Canadian Dollars
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements of the Company for the nine months ended January 31, 2012 and comparatives for the nine months ended January 31, 2011 were prepared by management and have not been reviewed or audited by the Company's auditors.

Southern Silver Exploration Corp.
(Exploration Stage Company)
Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited)

	Three months ended January 31, 2012	Three months ended January 31, 2011	Nine months ended January 31, 2012	Nine months ended January 31, 2011
		Note 11		Note 11
Expenses				
Administration	$ 24,000	$ 24,000	$ 72,000	$ 72,000
Consulting	143,552	61,675	263,115	174,005
Exploration and evaluation (Note 5(e))	899,326	178,785	1,796,254	362,995
Independent directors' fees	9,604	9,210	29,224	27,808
Investor relations	122,943	46,584	318,787	146,239
Office and general	29,563	16,951	73,712	52,430
Professional fees	39,659	42,430	109,071	149,329
Regulatory fees and taxes	5,445	1,848	17,004	18,884
Share-based payments (Note 7(e))	62,826	222,605	62,826	222,605
Shareholders' communications	5,901	6,614	18,332	10,045
Transfer agent	2,430	4,424	7,994	7,340
Travel and promotion	44,341	26,354	108,681	51,539
	1,389,590	**641,480**	**2,877,000**	**1,295,219**
Other Items				
Interest income	(4,494)	(2,836)	(8,573)	(3,518)
Foreign exchange (gain) loss	(7,486)	558	(29,547)	(3,024)
Impairment of mineral properties	-	261,308	-	315,936
Modification of share purchase warrants (Note 7(e))	249,390	-	249,390	-
	237,410	**259,030**	**211,270**	**309,394**
Net Loss and Comprehensive Loss for the Period	**$ 1,627,000**	**$ 900,510**	**$ 3,088,270**	**$ 1,604,613**
Loss per share - basic and diluted	$ 0.01	$ 0.01	$ 0.03	$ 0.02
Weighted average number of common shares outstanding	118,844,293	78,211,567	109,797,498	70,857,047

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The accompanying notes form an integral part of these financial statements

Southern Silver Exploration Corp.
(Exploration Stage Company)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

As at			January 31, 2012		April 30, 2011
Assets					
Current					
Cash		$	997,156	$	1,125,169
Receivables			424,440		141,461
Prepaids	Note 6(a)		16,559		47,089
			1,438,155		**1,313,719**
Mineral properties	Note 5		2,527,093		1,538,292
Reclamation bonds	Note 5(b)/(c)		78,568		43,012
		$	**4,043,816**	**$**	**2,895,023**
Liabilities					
Current					
Accounts payable and accrued liabilities		$	318,048	$	219,243
Due to related parties	Note 6		6,050		36,816
			324,098		**256,059**
Shareholders' Equity					
Share capital	Note 7		27,847,587		24,045,028
Contributed surplus			1,911,179		1,874,998
Deficit			(26,039,048)		(23,281,062)
			3,719,718		**2,638,964**
		$	**4,043,816**	**$**	**2,895,023**

Approved on behalf of the Board

"Lawrence Page" — **Lawrence Page, Q.C.**

"Terry Eyton" — **Terry Eyton, FCA**

The accompanying notes form an integral part of these financial statements

Southern Silver Exploration Corp.
(Exploration Stage Company)
Condensed Consolidated Interim Statements of Changes in Equity
Nine months ended January 31, 2012 and 2011
(Unaudited)

	Share Capital								
	Number of Shares		Amount		Contributed Surplus		Deficit		Total
Balance as at May 1, 2010	**64,912,096**	**$**	**21,008,918**	**$**	**2,051,198**	**$**	**(21,284,936)**	**$**	**1,775,180**
Issued									
Private placements	25,000,000		2,500,000		-		-		2,500,000
Shares for mineral property payment	50,000		5,000		-		-		5,000
Exercised share purchase warrants	1,926,500		385,300		-		-		385,300
Exercised stock options	415,000		67,100		-		-		67,100
Subtotal	27,391,500		2,957,400		-		-		2,957,400
Share issue costs	-		(389,634)		119,912		-		(269,722)
Fair value of warrants exercised	-		4,140		(4,140)		-		-
Fair value of options exercised	-		57,385		(57,385)		-		-
Fair value of options and warrants expired	-		-		(481,181)		481,181		-
Share-based payments	-		-		222,605		-		222,605
Net loss for the period	-		-		-		(1,604,613)		(1,604,613)
Balance as at January 31, 2011 (Note 11)	**92,303,596**	**$**	**23,638,209**	**$**	**1,851,009**	**$**	**(22,408,368)**	**$**	**3,080,850**
Balance as at April 30, 2011	**94,238,796**	**$**	**24,045,028**	**$**	**1,874,998**	**$**	**(23,281,062)**	**$**	**2,638,964**
Issued									
Private placements	25,860,446		4,259,336		-		-		4,259,336
Shares for finders' fees	1,176,471		200,000		-		-		200,000
Shares for mineral property payment	300,000		49,250		-		-		49,250
Exercised share purchase warrants	38,200		7,640		-		-		7,640
Subtotal	27,375,117		4,516,226		-		-		4,516,226
Share issue costs	-		(715,858)		56,440		-		(659,418)
Fair value of warrants exercised	-		2,191		(2,191)		-		-
Fair value of options and warrants expired	-		-		(330,284)		330,284		-
Fair value of warrants modified	-		-		249,390		-		249,390
Share-based payments	-		-		62,826		-		62,826
Net loss for the period	-		-		-		(3,088,270)		(3,088,270)
Balance as at January 31, 2012	**121,613,913**	**$**	**27,847,587**	**$**	**1,911,179**	**$**	**(26,039,048)**	**$**	**3,719,718**

The accompanying notes form an integral part of these financial statements

Southern Silver Exploration Corp.
(Exploration Stage Company)
Condensed Consolidated Interim Statements of Cash Flows
Nine months ended January 31,
(Unaudited)

	2012	2011
Operating Activities		
Net loss for the period	$ (3,088,270)	$ (1,604,613)
Items not involving cash:		
Unrealized foreign exchange (gain) loss	(26,920)	32,224
Share-based payments	62,826	222,605
Share purchase warrant modification	249,390	-
Impairment of mineral properties	-	315,936
	(2,802,974)	(1,033,848)
Changes in non-cash working capital		
Receivables	(282,979)	(48,179)
Prepaids	30,530	3,110
Accounts payable and accrued liabilities	98,805	69,665
Due to related parties	(30,766)	25,537
	(184,410)	50,133
Cash Used in Operating Activities	(2,987,384)	(983,715)
Investing Activities		
Expenditures on mineral properties	(939,551)	(755,731)
Reclamation bonds	(35,556)	12,403
Cash Used in Investing Activities	(975,107)	(743,328)
Financing Activities		
Proceeds from issuance of shares, net of share issue costs	3,807,558	2,682,678
Cash Provided by Financing Activities	3,807,558	2,682,678
Foreign Exchange Effect on Cash	26,920	(32,584)
Increase (Decrease) in Cash During the Period	(128,013)	923,051
Cash , Beginning of Period	1,125,169	656,457
Cash , End of Period	$ 997,156	$ 1,579,508

Supplemental cash flow information (Note 9)

The accompanying notes form an integral part of these financial statements

1. Nature and Continuance of Operations and Going Concern

Southern Silver Exploration Corp. (the “Company”) is an exploration stage company incorporated under the laws of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange. The Company and its subsidiaries are engaged in the acquisition and exploration of mineral properties and do not have any mineral properties in production. The Company’s registered office address is 950 – 1199 West Hastings Street, Vancouver, BC, V6E 4E6.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company’s current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company’s mineral properties does not reflect present or future value.

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at January 31, 2012, the Company had working capital of $1,114,057 (April 30, 2011 - $1,057,660). The Company does not hold any revenue generating properties and has incurred a loss of $3,088,270 for the nine months ended January 31, 2012 (January 31, 2011 - $1,604,613). The Company has an accumulated deficit of $26,039,048 as at January 31, 2012 (April 30, 2011 - $23,281,062).

The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of share capital to finance its future activities, but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company’s business, results of operations and financial condition.

These condensed consolidated interim financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The Company previously prepared its condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”) as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its condensed consolidated interim financial statements for the three months ended July 31, 2011. All references to the term “GAAP” or “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation and Consolidation, continued

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), and include the accounts of the Company and its wholly-owned integrated subsidiaries, Minera Plata del Sur S.A de C.V., incorporated in Mexico, Southern Silver Exploration (US) Corp., incorporated in the United States, and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands. All inter-company transactions and balances have been eliminated upon consolidation.

These condensed consolidated interim financial statements do not include all the information and notes required by IFRS for complete consolidated financial statements for year-end reporting purposes. The accounting principles applied in the preparation of these condensed consolidated interim financial statements included herein have been applied consistently for each of the periods presented and are based on IFRS issued and outstanding as of March 22, 2012, the date the Board of Directors approved the condensed consolidated interim financial statements. Any subsequent changes to IFRS that are reflected in the Company's consolidated financial statements for the year ending April 30, 2012 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on change-over to IFRS.

Note 11 includes information on the provisions of IFRS 1, the exemptions that the Company elected to apply, and reconciliations of equity, comprehensive loss and cash flows for comparative periods.

The condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual consolidated financial statements for the year ended April 30, 2011.

The Company's functional and presentation currency is the Canadian dollar and all dollar amounts are presented in Canadian dollars, unless otherwise indicated.

(b) Mineral Properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until such time as these mineral properties are placed into commercial production, sold or abandoned. If commercial production is achieved from a mineral property, the related capitalized costs will be tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to the consolidated statement of comprehensive loss in that period.

All expenditures related to the exploration and development of mineral properties are expensed to the consolidated statement of comprehensive loss in the period in which they are incurred.

2. Summary of Significant Accounting Policies, continued

(b) Mineral Properties, continued

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are capitalized as part of acquisition costs. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in the consolidated statement of comprehensive loss.

All capitalized mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

(c) Reclamation Bonds

Reclamation bonds are non-interest-bearing, recorded at cost and held in Mexican pesos and US dollars by Mexican and US government agencies, respectively.

(d) Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

(e) Unit Offerings and Non-monetary Considerations

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are allocated on the residual value method wherein proceeds are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

2. Summary of Significant Accounting Policies, continued

(f) Share-Based Payments

Share-based payments for employees are measured at fair value of the instruments issued and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of the options is charged to profit and loss using the graded vesting method, with the offset credit to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from contributed surplus to share capital. Upon expiry, related fair value calculated is transferred from contributed surplus to deficit.

(g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. A valuation allowance is provided against deferred tax assets when it is more likely than not that the tax asset will not be utilized.

(h) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

(i) Financial Instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

2. Summary of Significant Accounting Policies, continued

(i) Financial Instruments, continued

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Loans and receivables are comprised of expense advances and reclamation bonds.

Impairment of financial assets

At each reporting date the Company assess whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to related parties.

The Company has no derivative financial liabilities.

(j) Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position, and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

2. Summary of Significant Accounting Policies, continued

(j) Significant Accounting Estimates and Judgments, continued

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates appear throughout the financial statements and may require adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other relevant factors that are believed to be reasonable under the circumstances.

Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which 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:

- restoration, rehabilitation and environmental provisions;
- accrued liabilities;
- determination of the valuation allowance for deferred income tax assets; and
- the assumptions used in the calculation of the fair value assigned to stock-based payments.

Critical Accounting Judgments

Management must make judgments given the various options available as per accounting standards for items included in the financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- the determination of the categories in which financial assets and financial liabilities are classified;
- the determination of restoration, rehabilitation and environmental obligations;
- the impairment and recoverability of capitalized mineral property acquisition costs; and
- the rate and timing of depreciation.

(k) Revenue Recognition

Interest income earned is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

2. Summary of Significant Accounting Policies, continued

(l) Restoration, Rehabilitation and Environmental Obligations

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive, or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to profit and loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision.

Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded. The Company has determined that it has no material obligations of this nature to record.

(m) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3. Financial Instruments

The Company's financial instruments comprise cash, receivables, reclamation bonds, accounts payable and amounts due to related parties. The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	Fair value through profit or loss	Fair Value
Receivables (Advances)	Loans and Receivables	Amortized Cost
Reclamation Bonds	Loans and Receivables	Amortized Cost
Accounts Payable	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

3. Financial Instruments, continued

Fair Value

The carrying values of cash, receivable advances (January 31, 2012 - $2,815 : April 30, 2011 - $4,746), accounts payable and amounts due to related parties approximate their fair values due to their short term to maturity. The reclamation bonds are non-interest-bearing and the carrying values approximate their fair value.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

The Company is exposed to credit risk with respect to managing its cash position. This risk is mitigated by risk management policies that require deposits or short-term investments to be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration. The Company has no exposure to asset-backed commercial paper. As at January 31, 2012, the Company had no cash equivalents.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities and through management of its capital structure.

As at January 31, 2012, the Company believes the cash balance of $997,156 (April 30, 2011 - $1,125,169) is sufficient to meet cash requirements for its administrative overhead and maintaining its mineral interests. However, the Company will be required to raise additional capital in order to fund future operations and to continue with exploration programs for the coming year (Note 12). At January 31, 2012, the Company had accounts payable (excluding accrued liabilities) of $318,048 (April 30, 2011 - $187,243) and amounts due to related parties of $6,050 (April 30, 2011 - $36,816), due within 30 days.

(c) Market Risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and other price risk:

(i) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of January 31, 2012.

3. Financial Instruments, continued

(c) Market Risk, continued

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars and Mexican pesos). The Company does not manage currency risk through hedging or other currency management tools.

As at January 31, 2012, the Company has financial instruments denominated in foreign currencies and is exposed to currency risk as follows:

	US $	Peso
Cash	223,001	104,298
Receivables	2,807	4,879,327
Reclamation bonds	38,191	523,778
Accounts payable	(87,186)	-
	176,813	**5,507,403**
Canadian dollars	177,308	422,253

Based on the above and exchange rate movements for the past nine months, assuming all other variables remain constant, the Company's net loss and comprehensive loss would not be materially affected by a weakening or strengthening of the US dollar or Mexican peso.

(iii) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to any other price risk.

4. Capital Management

The Company's capital includes components of shareholders' equity. The Company's objective in managing its capital is to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders.

To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been funded by the issuance of common shares and convertible notes. The Company will continue these financing methods in the future depending upon market and economic conditions at the time.

There were no changes in the Company's approach to capital management during the nine months ended January 31, 2012. The Company is not subject to externally imposed capital requirements.

5. Mineral Properties

The Company has interests in base and precious metal properties as follows:

- **Mexico**

  (i) Cerro Las Minitas

  (ii) Minas de Ameca - Magistral properties, which include Magistral I and El Magistral

- **United States**

  (i) Oro property

  (ii) Dragoon properties

Deferred mineral property costs by property for the period ended January 31, 2012 are as follows:

	Mexico				USA		
Mineral Properties	**Minas de Ameca**	**Cerro Las Minitas**	**Pinabete**	**San Juan**	**Oro**	**Dragoon**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Acquisition							
Balance as at May 1, 2010	208,412	-	237,049	53,996	494,253	76,623	1,070,333
Additions during the year	33,148	400,717	24,259	632	324,282	857	783,895
Write-offs during the year	-	-	(261,308)	(54,628)	-	-	(315,936)
Balance as at April 30, 2011	241,560	400,717	-	-	818,535	77,480	1,538,292
Additions during the period	89,835	631,829	-	-	267,137	-	988,801
Balance as at January 31, 2012	**331,395**	**1,032,546**	**-**	**-**	**1,085,672**	**77,480**	**2,527,093**

The Company relinquished its rights to the Pinabete and San Juan properties during the year ended April 30, 2011.

Terms of the agreements for the above properties are described below:

(a) Cerro Las Minitas - Mexico

During the year ended April 30, 2011, the Company announced that it signed a letter of intent with a private vendor to acquire a 100% interest in the Cerro Las Minitas property located in Durango, Mexico.

5. Mineral Properties, continued

(a) Cerro Las Minitas - Mexico

Pursuant to the agreement, the Company's remaining commitments are due as follows:

(i) US $300,000 on May 18, 2012;
(ii) US $800,000 on November 18, 2012;
(iii) US $1,000,000 on May 18, 2013; and
(iv) US $1,000,000 on November 18, 2013.

On October 24, 2011 the Company entered into a property purchase agreement with respect to a 5 hectare parcel of land that overlies portions of the above mineral claims. The property was acquired to provide a site for construction of a mill, if warranted, based upon results of ongoing exploration. The property was acquired in consideration for a cash payment of US$40,000 and issuance of 50,000 common shares of the Company.

(b) Minas de Ameca (Magistral Property) - Mexico

Pursuant to an agreement dated July 4, 2006, as amended July 21, 2010, with Fury Explorations Ltd. ("Fury"), the Company obtained an option to acquire a 65% interest in the Magistral I mining exploration concession ("Magistral") located in Mexico.

Pursuant to the agreement, the Company's remaining commitments are due as follows:

(i) Incur in the aggregate a minimum of US $1,800,000 in exploration expenditures on or before July 21, 2011 (*); and
(ii) Incur in the aggregate a minimum of US $3,000,000 in exploration expenditures on or before July 21, 2012(*).

* The Company has not complied with all the aforementioned terms of the property agreement and is currently renegotiating with Fury in amending the commitment terms.

Upon earning its interest, the Company will enter into a joint venture agreement (the "JV Agreement") with Fury for the development of Magistral and contribute 65% of all costs associated with the development of Magistral. The JV Agreement provides for pro-rata dilution should either party fail to pay its share of such costs and expenses. Should either party allow their interest to dilute to less than a 10% interest, its joint venture interest will automatically convert to a 1% net smelter return ("NSR") royalty.

On October 18, 2006, the Company purchased a 100% interest in the 1,366 hectare El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico for $15,600 (Mexican peso 150,000). The mineral concession is subject to a 1% NSR payable to the Mexican government. The concession is considered part of the Magistral I concession pursuant to the terms of the option agreement with Fury. As such, all expenditures incurred on the property will be attributed to the Magistral I concession pursuant to the terms of the agreement with Fury as described above.

A non-interest-bearing reclamation bond of $40,270 (Mexican peso 523,778) (April 30, 2011 - $43,012) in regard to the 1% NSR royalty is being held in escrow by the Mexican government as security for future reclamation costs and is refundable upon completion of the exploration and reclamation program on the properties.

5. Mineral Properties, continued

(c) Oro Property - New Mexico, USA

Pursuant to an agreement dated August 28, 2006, as amended August 28, 2011, the Company acquired an option to acquire a 100% interest in the Oro Claims, Grant County, New Mexico. To exercise the option, the Company is required to make remaining staged payments due as follows:

(i) US $150,000 on or before August 28, 2012.

The property is subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US $500,000 for each increment.

Pursuant to an agreement effective December 1, 2007, the Company acquired a 100% interest in the American Mine claims, New Mexico, USA, consisting of eight patented lode mining claims and surface rights to a contiguous property. The American Mine claims are adjacent to the Oro property claims and will be reported under Oro property claims.

Under this agreement, the Company is required to make remaining staged payments due as follows:

(i) US $75,000 on or before December 1, 2012.

On August 18, 2010, the Company also acquired two lease land parcels of New Mexico State Land, which were critical for future exploration on the Oro property.

A non-interest-bearing reclamation bond of $38,298 (US $38,191 (April 30, 2011 - $nil)) is being held in escrow by the US government as security for future reclamation costs and is refundable upon completion of the exploration and reclamation program on the properties.

(d) Dragoon Property - Arizona, USA

Pursuant to an agreement dated August 28, 2007, the Company has obtained an option to acquire a 100% interest in certain claims located in the state of Arizona.

To exercise the option, the Company is required to make remaining staged payments due as follows:

(i) US $300,000 on or before August 28, 2012.

The property is subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US $500,000 for each increment.

On August 26, 2009 the Company signed an earn-in agreement with Freeport-McMoRan Exploration Corporation (“FMEC”) for the property. FMEC has the exclusive right and option to acquire a 70% ownership interest in the property by spending US $3,000,000 on the property by December 31, 2012, which includes drilling one hole of approximately 300 metres on or before December 31, 2010. FMEC will assume all annual property maintenance requirements with the state and federal authorities as well as assuming all payments pertaining to the underlying option agreement.

5. Mineral Properties, continued

(e) Exploration and Evaluation Expenses

Exploration expenditures incurred for the nine months ended January 31, 2012 were as follows:

	Mexico		USA		
Mineral Properties	**Minas de Ameca**	**Cerro Las Minitas**	**Oro**	**Dragoon**	**Total**
	$	**$**	**$**	**$**	**$**
Assays and geochemistry	-	21,403	50,580	-	71,983
Camp, utilities and supplies	-	18,076	2,831	-	20,907
Drilling services	-	838,469	312,538	-	1,151,007
Environmental	-	-	1,021	-	1,021
Equipment, rentals and supplies	-	7,741	13,910	-	21,651
Field supplies	-	49,911	139	-	50,050
Geological and geophysics	-	27,918	85,190	-	113,108
Project supervision	-	292,536	4,667	2,225	299,428
Project support	-	28,320	-	-	28,320
Travel	-	4,060	10,040	-	14,100
	-	**1,288,434**	**480,916**	**2,225**	1,771,575
General exploration - other					**24,679**
					1,796,254

Exploration expenditures incurred for the nine months ended January 31, 2011 were as follows:

	Mexico			USA		
Mineral Properties	**Minas de Ameca**	**Cerro Las Minitas**	**San Juan**	**Oro**	**Dragoon**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Air Support	-	36,668	-	-	-	36,668
Assays and geochemistry	-	1,998	327	61	-	2,386
Camp, utilities and supplies	1,460	10,422	226	2,650	-	14,758
Equipment, rentals and supplies	434	7,929	753	1,022	-	10,138
Geological and geophysics	-	13,960	149	72,320	2,163	88,592
Project supervision	7,114	64,098	3,988	21,004	6,827	103,031
Project support	224	9,919	-	192	-	10,335
Travel	1,595	3,365	-	5,305	-	10,265
Environmental	-	2,988	2,138	2,649	-	7,775
	10,827	**151,347**	**7,581**	**105,203**	**8,990**	283,948
General exploration - other						**79,047**
						362,995

5. Mineral Properties, continued

(f) 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 of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(g) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

(h) Realization of Assets

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal. The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from the sale of the mineral properties. The carrying value of the Company's mineral properties may not reflect present or future values.

6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the nine months ended January 31, 2012.

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged as follows:

- $72,000 in respect of office space and general administration services (2011 - $72,000);
- $46,145 in respect of professional services (2011 - $42,337);
- $25,855 in respect of consulting services (2011 - $48,265);
- $106,815 in respect of investor relations services (2011 - $60,224);
- $94,250 in respect of geological consulting services in relation to mineral properties (2011 - $25,092);
- $21,948 in respect of the mark-up on out-of-pocket expenses (2011 - $4,538); and
- $3,120 in respect of office and general (2011 - $7,527).

Amounts payable as at January 31, 2012 were $6,050 (April 30, 2011 - $21,669 prepaid).

(b) Pursuant to a consulting agreement, as amended, between the Company and a director and an officer of the Company, the Company was charged $84,240 (2011 - $84,240) for consulting services. Amounts payable as at January 31, 2012 were $Nil (April 30, 2011 - $20,966).

(c) Fees in the amount of $164,584 (2011 - $30,285) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at January 31, 2012 were $Nil (April 30, 2011 - $4,161).

(d) Consulting fees relating to office administration of $18,000 (2011 - $18,000) were charged by a private company controlled by a director and an officer of the Company. Agreement expired and director and officer resigned effective February 1, 2012.

(e) Fees in the amount of $53,873 (2011 - $37,233) were charged by a director of the Company for geological services. Amounts payable as at January 31, 2012 were $Nil (April 30, 2011 - $11,689).

(f) Fees in the amount of $12,500 (2011 - $Nil) were charged by an officer of the Company for consultancy services.

(g) Fees in the amount of $64,892 (2011 - $Nil) were charged by a former director of the Company for consultancy services and included in consultancy fees and share issue costs.

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. Amounts due to related parties are unsecured, non-interest bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

6. Related Party Balances and Transactions, continued

In addition to fees paid to independent directors of $29,224 (January 31, 2011 - $27,808), consulting fees paid to directors and other members of key management personnel (disclosed in (a - $36,250), (b), (d), (e) and (f) above), the Company granted 250,000 stock options exercisable to purchase one common share at $0.15 per share for a period of five years with a total fair value of $31,413 (January 31, 2011: 1,085,000 stock options exercisable to purchase one common share at $0.17 per share for a period of five years with a total fair value of $85,800).

One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement as at January 31, 2012 was $271,440. The Company has no other employee or post-employment benefits.

7. Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(a) Private Placements

A non-brokered private placement was announced June 20, 2011 and amended June 30, 2011 to issue up to 23,530,000 units at a price of $0.17 per unit to raise gross proceeds of $4,000,100. Each unit will consist of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of $0.22 per share for a period of two years.

On July 27, 2011, the Company closed the first tranche of this private placement by issuing 14,151,706 units at $0.17 per unit for gross proceeds of $2,405,790. The Company issued 1,176,471 finders' units (consisting of one common share and one share purchase warrant with each warrant exercisable into one common share at $0.22 for a period of two years), with a fair value of $200,000, and 72,000 finders' warrants at an exercise price of $0.22 per share expiring on July 20, 2013, with a fair value of $4,479 (Note 7(e)).

On August 16, 2011, the Company closed the second tranche of this private placement by issuing 4,818,206 units at $0.17 per unit for gross proceeds of $819,095. The Company issued 328,421 finders' warrants with an exercise price of $0.22 per share expiring on August 16, 2013, with a fair value of $23,002 (Note 7(e)).

On August 29, 2011, the Company closed the final tranche of this private placement by issuing 43,534 units at $0.17 per unit for gross proceeds of $7,401. The Company issued 2,000 finders' warrants with an exercise price of $0.22 per share expiring on August 29, 2013, with a fair value of $127 (Note 7(e)).

A non-brokered private placement was announced November 7, 2011 to issue up to 8,000,000 units at a price of $0.15 per unit to raise gross proceeds of $1,200,000. Each unit will consist of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of $0.20 per share for a period of two years.

On December 5, 2011, the Company closed the first tranche of this private placement by issuing 6,417,000 units at $0.15 per unit for gross proceeds of $962,550. The Company issued 404,000 finders' warrants with an exercise price of $0.20 per share expiring on December 5, 2013, with a fair value of $28,340 (Note 7(e)).

7. Share Capital, continued

(a) Private Placements, continued

On January 5, 2012, the Company closed the final tranche of this private placement by issuing 430,000 units at $0.15 per unit for gross proceeds of $64,500. The Company issued 10,000 finders' warrants with an exercise price of $0.20 per share expiring on January 5, 2014, with a fair value of $492 (Note 7(e)).

(b) Shares Issued for Mineral Properties

During the nine six months ended January 31, 2012, the Company issued 300,000 common shares with a fair value of $49,250 with respect to mineral property option and acquisition agreements.

(c) Stock Options

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The terms of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. Except those options issued to persons providing investor relation services, which vest in stages over twelve months with no more than one-quarter of such options so granted vesting in any three-month period, the Board of Directors shall have complete discretion to set the terms of any vesting schedule at the date of grant. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

As at January 31, 2012 options were outstanding and exercisable as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2011	Granted	Expired	Exercised	Balance January 31, 2012
$0.88	$0.80	June 1, 2011	350,000	-	350,000	-	-
$0.58	$0.54	March 1, 2012	1,090,000	-	-	-	1,090,000
$0.58	$0.41	March 26, 2012	100,000	-	-	-	100,000
$0.58	$0.37	October 19, 2012	25,000	-	-	-	25,000
$0.21	$0.12	March 26, 2013	455,000	-	-	-	455,000
$0.16	$0.15	January 8, 2015	2,565,000	-	50,000	-	2,515,000
$0.17	$0.13	November 29, 2015	2,380,000	-	-	-	2,380,000
$0.17	$0.11	December 13, 2015	315,000	-	-	-	315,000
$0.15	$0.13	November 8, 2016	-	500,000	-	-	500,000
			7,280,000	**500,000**	**400,000**	**-**	**7,380,000**
Weighted average exercise price			$0.27	$0.15	$0.79	-	$0.24
Weighted average remaining life (years)			3.27				2.81

On November 8, 2011 the Company granted 500,000 fully vested stock options to a director and a consultant exercisable at price of $0.15 and expiring five years from the date of the grant (Note 7(e)).

7. Share Capital, continued

(c) Stock Options, continued

As at January 31, 2011 options were outstanding and exercisable as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2010	Granted	Expired	Exercised	Balance January 31, 2011
$0.30	$0.27	October 13, 2010	205,000	-	205,000	-	-
$0.51	$0.43	November 8, 2010	400,000	-	400,000	-	-
$0.83	$0.64	January 16, 2011	175,000	-	175,000	-	-
$0.82	$0.72	March 27, 2011	125,000	-	-	-	125,000
$0.88	$0.80	June 1, 2011	435,000	-	85,000	-	350,000
$0.58	$0.54	March 1, 2012	1,145,000	-	55,000	-	1,090,000
$0.58	$0.41	March 26, 2012	100,000	-	-	-	100,000
$0.58	$0.37	October 19, 2012	25,000	-	-	-	25,000
$0.58	$0.39	December 4, 2012	25,000	-	25,000	-	-
$0.21	$0.12	March 26, 2013	525,000	-	35,000	-	490,000
$0.16	$0.15	January 8, 2015	3,200,000	-	200,000	345,000	2,655,000
$0.17	$0.13	November 29, 2015	-	2,500,000	-	70,000	2,430,000
$0.17	$0.11	December 13, 2015	-	315,000	-	-	315,000
			6,360,000	**2,815,000**	**1,180,000**	**415,000**	**7,580,000**
Weighted average exercise price			$0.36	$0.17	$0.19	$0.16	$0.28
Weighted average remaining life (years)			3.14				3.42

On November 29, 2010 and December 13, 2010 the Company granted a total of 2,815,000 fully vested stock options to directors, officers, consultants and management company employees exercisable at a price of $0.17 and expiring five years from the date of the grant (Note 7(e)).

7. Share Capital, continued

(d) Share Purchase Warrants

As at January 31, 2012 share purchase warrants were outstanding as follows:

Exercise Price	Expiry Date	Balance April 30, 2011	Granted	Expired	Exercised	Balance January 31, 2012
$0.20	June 10, 2012	11,851,500	-	-	4,000	11,847,500
$0.20	December 10, 2011	547,200	-	513,000	34,200	-
$0.20	June 24, 2012	2,740,000	-	-	-	2,740,000
$0.20	December 24, 2011	154,800	-	154,800	-	-
$0.20	October 27, 2012	9,900,000	-	-	-	9,900,000
$0.20	October 27, 2012	597,000	-	-	-	597,000
$0.20	November 26, 2012	10,601,000	-	-	-	10,601,000
$0.20	November 26, 2012	843,500	-	-	-	843,500
$0.20	December 10, 2012	4,499,000	-	-	-	4,499,000
$0.20	December 10, 2012	375,000	-	-	-	375,000
$0.22	July 20, 2013	-	14,151,706	-	-	14,151,706
$0.22	July 20, 2013	-	1,176,471	-	-	1,176,471
$0.22	July 20, 2013	-	72,000	-	-	72,000
$0.22	August 16, 2013	-	4,818,206	-	-	4,818,206
$0.22	August 16, 2013	-	328,421	-	-	328,421
$0.22	August 29, 2013	-	43,534	-	-	43,534
$0.22	August 29, 2013	-	2,000	-	-	2,000
$0.20	December 5, 2013	-	6,417,000	-	-	6,417,000
$0.20	December 5, 2013	-	404,000	-	-	404,000
$0.20	January 5, 2014	-	430,000	-	-	430,000
$0.20	January 5, 2014	-	10,000	-	-	10,000
		42,109,000	**27,853,338**	**667,800**	**38,200**	**69,256,338**
Weighted average exercise price		$0.20	$0.21	$0.20	$0.20	$0.21
Weighted average remaining life (years)		1.39				1.02

On November 7, 2011, the Company extended the expiry date of 11,847,500 share purchase warrants from December 10, 2011 to June 10, 2012, and the expiry date of 2,740,000 share purchase warrants from December 24, 2011 to June 24, 2012 (Note 7(e)).

7. Share Capital, continued

(d) Share Purchase Warrants, continued

As at January 31, 2012, and January 31, 2011 share purchase warrants were outstanding as follows

Exercise Price	Expiry Date	Balance April 30, 2010	Granted	Expired	Exercised	Balance January 31, 2011
$0.20	December 10, 2011	14,570,000	-	-	1,007,500	13,562,500
$0.20	December 10, 2011	653,400	-	-	69,000	584,400
$0.20	December 24, 2011	3,590,000	-	-	850,000	2,740,000
$0.20	December 24, 2011	166,800	-	-	-	166,800
$0.20	October 27, 2012	-	9,900,000	-	-	9,900,000
$0.20	October 27, 2012	-	597,000	-	-	597,000
$0.20	October 27, 2012	-	10,601,000	-	-	10,601,000
$0.20	October 27, 2012	-	843,500	-	-	843,500
$0.20	October 27, 2012	-	4,499,000	-	-	4,499,000
$0.20	October 27, 2012	-	375,000	-	-	375,000
		18,980,200	**26,815,500**	**-**	**1,926,500**	**43,869,200**
Weighted average exercise price		$0.20	$0.20	-	$0.20	$0.20
Weighted average remaining life (years)		$1.62				1.43

(e) Fair Value Determination

The fair value of stock options and share purchase warrants granted and share purchase warrants modified were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 31, 2012			January 31, 2011	
	Options	Warrants	Modified Warrants	Options	Warrants
Risk-free interest rate	1.44%	0.98%	0.01%	2.39%	1.61%
Expected share price volatility	123.23%	100.05%	42.35%	118.26%	102.73%
Expected option/warrant life (years)	5.00	2.00	0.50	5.00%	2.00
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

7. Share Capital, continued

(e) Fair Value Determination, continued

The total calculated fair value of share-based payments for the nine months ended January 31, 2012 and 2011 were included in the respective condensed consolidated statements of operations or equity as follows:

	January 31, 2012	January 31, 2011
Statements of Comprehensive Loss		
Directors, Officers and Employees	$ 62,826	$ 222,605
Modification of share purchase warrants	249,390	-
	312,216	222,605
Statements of Changes in Equity (Agent Warrants)	56,440	119,912
Total	$ 368,656	$ 342,517

8. Segmented Information

The Company has one business segment, the acquisition and exploration of mineral properties. The Company's total assets are distributed by geographic area as follows:

	January 31, 2012 $	%	April 30, 2011 $	%
Canada	1,060,195	26%	1,130,092	39%
Mexico	1,782,171	45%	868,915	30%
USA	1,201,450	29%	896,016	31%
	4,043,816	**100%**	**2,895,023**	**100%**

9. Supplemental Cash Flow Information

	2012	2011
Cash items		
Interest received	$ 8,573	$ 3,518
Income tax paid	$ -	$ -
Interest paid	$ -	$ -
Non-cash items		
Financing activities		
Shares issued for mineral property	$ 49,250	$ 5,000
Share issuance costs	$ 56,440	$ 119,912

10. Contingencies and Commitments

Certain claims have been filed against the Company as follows:

(a) A claim for US $80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was initiated in October 1998 and since then no further claims or legal proceedings have taken place.

(b) A claim for $6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

These financial statements do not reflect the liability, if any, which may result from these claims as the outcome of either claim is indeterminable at this time. The impact to any outcome will be recorded at the time of settlement and, accordingly, may impact future results of operations and cash flows.

Under a service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company is charged $8,000 monthly for office space and general administration services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012. The remaining fee commitment is $40,000 all due within one year.

11. Transition to IFRS

As stated in Note 2 (a), these are the Company's second condensed consolidated interim financial statements. The accounting policies described in Note 2 have been applied in preparing these condensed consolidated interim financial statements for the three and six months ended October 31, 2011, the comparative information presented in these condensed consolidated interim financial statements for the three and six months ended October 31, 2010, and the consolidated statement of financial position as at April 30, 2011. An explanation of IFRS 1, first-time adoption of IFRS exemptions, and the required reconciliations between IFRS and Canadian GAAP are described below.

In preparing these condensed consolidated interim financial statements, the Company has applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

Share-based Payments

The Company elected to not apply IFRS 2, Share-based Payment, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS.

11. Transition to IFRS, continued

Business Combinations

The Company elected to not apply IFRS 3, Business Combinations, with respect to business combinations that occurred before the date of transition to IFRS. As a result of this election, no adjustments were required to the Company's statement of financial position as at May 1, 2010.

The following policy choice amendments have been made on the transition to IFRS:

(a) Exploration expenditures

On transition to IFRS the Company elected to retrospectively change its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based payments

On transition to IFRS the Company elected to retrospectively change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders' options, and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

Reconciliation of Equity

The table below provides a summary of the adjustments to equity as at January 31, 2011:

	Note		**January 31, 2011**
Total Assets per GAAP		**$**	5,761,548
Decrease in mineral properties	11(a)		(2,498,300)
Total assets per IFRS		**$**	**3,263,248**
Total Liabilities per GAAP		**$**	182,398
Total Liabilities per IFRS		**$**	**182,398**
Total Equity per GAAP		**$**	5,579,150
Decrease in mineral properties	11(a)		(2,498,300)
Decrease in contributed surplus	11(b)		(1,711,073)
Decrease in deficit	11(b)		1,711,073
Total Equity per IFRS			**3,080,850**
Total Liabilities and Equity per IFRS		**$**	**3,263,248**

11. Transition to IFRS, continued

Reconciliation of Comprehensive Loss

The table below provides a summary of the adjustments to comprehensive loss for the three and six month periods ended January 31, 2011:

	Note		Three months ended January 31, 2011	Six months ended January 31, 2011
Comprehensive Loss per GAAP		$	686,320	1,348,000
Increase in exploration expenditures	11(a)		214,190	256,613
Comprehensive Loss per IFRS		$	**900,510**	**1,604,613**

Reconciliation of Cash Flows

The only material adjustments to cash flows arose due to the change in accounting policy for the treatment of exploration expenditures. Under IFRS, such expenditures are now treated as operating activities as opposed to investing activities under Canadian GAAP. Total cash balances remained unchanged on adoption of IFRS.

12. Events After the Reporting Period

In addition to the subsequent events disclosed elsewhere in these condensed consolidated interim financial statements, the following events occurred subsequent to the period end:

- On February 2, 2012 the Company entered into an investor relations agreement for a monthly fee of $5,000 for an initial period of three months. As part of this agreement, the Company also granted 150,000 incentive stock options at an exercise price of $0.15 per share exercisable for a period of five years, and vesting as to 25% upon grant, 25% on May 2, 2012, 25% on August 2, 2012 and 25% on November 2, 2012.

- On March 1, 2012, 1,190,000 stock options exercisable at $0.58 expired unexercised.

- On March 12, 2012, the Company announced a non-brokered private placement to issue up to 16,700,000 units at a price of $0.12 per unit to raise $2,004,000. Each unit will consist of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of three years at an exercise price of $0.17 per share.