SouthernSilver EXPLORATION CORP

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
Three Months Ended July 31, 2011
Expressed in Canadian Dollars
(Unaudited)

<u>Index</u> <u>Page</u>

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended July 31, 2011 and comparatives for the three months ended July 31, 2010 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
Three months ended July 31,
(Unaudited)

		2011		2010
				Note 11
Expenses				
Administration	$	24,000	$	24,000
Consulting		56,925		58,013
Exploration and evaluation (Note 5(e))		320,729		71,051
Independent directors' fees		8,048		8,966
Investor relations		98,565		43,492
Office and general		18,324		18,599
Professional fees		33,289		34,892
Regulatory fees and taxes		2,529		3,963
Shareholders' communications		8,452		729
Transfer agent		2,247		1,512
Travel and promotion		30,851		1,244
		603,959		**266,461**
Other Items				
Interest income		(1,484)		(319)
Foreign exchange gain		(11,906)		(4,158)
Impairment of mineral properties		-		54,628
		(13,390)		**50,151**
Net Loss and Comprehensive Loss for Period	**$**	**590,569**	**$**	**316,612**
Loss per share - basic and diluted	$	0.01	$	0.00
Weighted average number of common shares outstanding		96,471,580		64,912,096

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			July 31, 2011		April 30, 2011		May 1, 2010
					Note 11		**Note 11**
Assets							
Current							
Cash		$	2,303,172	$	1,125,169	$	656,457
Receivables			221,382		141,461		38,607
Prepaids	Note 6(a)		73,170		47,089		42,979
			2,597,724		**1,313,719**		**738,043**
Mineral properties	Note 5		1,905,726		1,538,292		1,070,333
Reclamation bonds	Note 5(b)/(c)		79,177		43,012		54,000
		$	**4,582,627**	**$**	**2,895,023**	**$**	**1,862,376**
Liabilities							
Current							
Accounts payable and accrued liabilities		$	118,192	$	219,243	$	82,080
Due to related parties	Note 6		78,197		36,816		5,116
			196,389		**256,059**		**87,196**
Shareholders' Equity							
Share capital	Note 7		26,239,738		24,045,028		21,008,918
Subscriptions received	Note 7		140,845		-		-
Contributed surplus			1,597,286		1,874,998		2,051,198
Deficit			(23,591,631)		(23,281,062)		(21,284,936)
			4,386,238		**2,638,964**		**1,775,180**
		$	**4,582,627**	**$**	**2,895,023**	**$**	**1,862,376**

Contingencies and commitments (Note 10)
Subsequent events (Note 12)

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
Three months ended July 31, 2011 and 2010
(Unaudited)

	Number of Shares		Amount		Subscriptions Received		Contributed Surplus		Deficit
Balance as at May 1, 2010 (Note 11)	**64,912,096**	**$**	**21,008,918**	**$**	**-**	**$**	**2,051,198**	**$**	**(21,284,936)**
Fair value of options and warrants expired	-		-		-		(62,950)		62,950
Net loss for the period	-		-		-		-		(316,612)
Balance as at July 31, 2010 (Note 11)	**64,912,096**	**$**	**21,008,918**	**$**	**-**	**$**	**1,988,248**	**$**	**(21,538,598)**
Balance as at April 30, 2011 (Note 11)	**94,238,796**	**$**	**24,045,028**	**$**	**-**	**$**	**1,874,998**	**$**	**(23,281,062)**
Issued									
Private placements	14,151,706		2,405,790		-		-		-
Shares for finders' fees	1,176,471		200,000		-		-		-
Shares for mineral property payment	250,000		42,500		-		-		-
Exercised share purchase warrants	38,200		7,640		-		-		-
Subtotal	15,616,377		2,655,930		-		-		-
Share issue costs	-		(463,411)		-		4,479		-
Subscriptions received	-		-		140,845		-		-
Fair value of warrants exercised	-		2,191		-		(2,191)		-
Fair value of options and warrants expired	-		-		-		(280,000)		280,000
Net loss for the period	-		-		-		-		(590,569)
Balance as at July 31, 2011	**109,855,173**	**$**	**26,239,738**	**$**	**140,845**	**$**	**1,597,286**	**$**	**(23,591,631)**

.

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
Three months ended July 31,
(Unaudited)

	2011	2010
		Note 11
Operating Activities		
Net loss for the period	$ (590,569)	$ (316,612)
Items not involving cash:		
Unrealized foreign exchange loss (gain)	5,288	(7,060)
Impairment of mineral properties	-	54,628
	(585,281)	(269,044)
Changes in non-cash working capital		
Receivables	(79,921)	(1,885)
Prepaids	(26,081)	(2,033)
Accounts payable and accrued liabilities	(101,051)	(14,440)
Due to related parties	41,381	(777)
	(165,672)	(19,135)
Cash Used in Operating Activities	(750,953)	(288,179)
Investing Activities		
Expenditures on mineral properties	(324,934)	(38,692)
Reclamation bonds	(36,165)	-
Cash Used in Investing Activities	(361,099)	(38,692)
Financing Activities		
Proceeds from issuance of shares, net of share issue costs	2,154,498	-
Subscriptions received	140,845	-
Cash Provided by Financing Activities	2,295,343	-
Foreign Exchange Effect on Cash	(5,288)	6,396
Increase (Decrease) in Cash During the Period	1,178,003	(320,475)
Cash , Beginning of Period	1,125,169	656,457
Cash , End of Period	$ 2,303,172	$ 335,982

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 is in Vancouver, Canada.

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 current 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 July 31, 2011, the Company had working capital of $2,401,335 (April 30, 2011 - $1,057,660). The Company does not hold any revenue generating properties and has incurred a loss of $590,569 for the three months ended July 31, 2011 (July 31, 2010 - $316,612). The Company has an accumulated deficit of $23,591,631 as at July 31, 2011 (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 prepares 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 has commenced reporting on this basis in these condensed consolidated interim financial statements. All references to the term "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.

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, including May 1, 2010, the Company's transition date, and are based on IFRS issued and outstanding as of September 21, 2011, 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 and the exemptions that the Company elected to apply, and reconciliations of equity, comprehensive loss and cash flows for comparative periods and equity at the date of transition, May 1, 2010.

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 reporting 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 Offering

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement 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.

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 income 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 calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding 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 and warrants that would be anti-dilutive.

(i) Financial Instruments

Financial instruments are classified as one of the following: fair value through profit or loss, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets and liabilities at fair value through profit or loss are measured at fair value with gains and losses recognized in net loss. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated at fair value through profit or loss upon initial recognition.

2. Summary of Significant Accounting Policies, continued

(i) Financial Instruments, continued

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than at fair value through profit or loss, which are expensed as incurred, are included in the initial carrying value of such instruments.

The Company categorizes its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(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. 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.

2. Summary of Significant Accounting Policies, continued

(j) Significant Accounting Estimates and Judgments, continued

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.

(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. At present, the Company has determined that it has no material obligations of this nature to record in the financial statements.

2. Summary of Significant Accounting Policies, continued

(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.

(n) Future Accounting Changes

In 2011, the IASB issued four new IFRSs and IASs, which will come into effect for reporting periods beginning on or after January 1, 2013. Earlier application is permitted. The Company will evaluate the impact of these new standards on its financial statements when applicable. The new IFRSs and IASs are as follows:

- IFRS 9: Financial Instruments to replace IAS 39: Financial Instruments: Recognition and Measurement.
- IFRS 10: Consolidated Financial Statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 supersedes IAS 27: Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.
- IFRS 11: Joint Arrangements is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC 13, Jointly Controlled Entities - Non-monetary Contributions by Venturers .
- IFRS 12: Disclosure of Interests in Other Entities, which combines, enhances, and replaces the disclosure requirements for subsidiaries, joint arrangements, associates, and unconsolidated structured entities.
- IFRS 13: Fair Value Measurement, which defines fair value, sets out in a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements.
- IAS 27 Separate Financial Statements (as amended in 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. In completing IFRS 10, the IASB removed from IAS 27 all requirements relating to consolidated financial statements.

2. Summary of Significant Accounting Policies, continued

(n) Future Accounting Changes, continued

- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

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
Related Parties Accounts Payable	Other Financial Liabilities	Amortized Cost

Fair Value

The carrying values of cash, receivable advances (July 31, 2011 - $2,941 : 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.

(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

3. Financial Instruments, continued

(b) Liquidity Risk, continued

anticipated investing and financing activities. The Company normally maintains sufficient cash to meet the Company's business requirements and, at July 31, 2011, believes the cash balance of $2,303,172 (April 30, 2011 - $1,125,169) is sufficient to meet cash requirements for the Company's administrative overhead, maintaining its mineral interests and continuing with its exploration program for the coming year. However, the Company will be required to raise additional capital in order to fund future operations. At July 31, 2011, the Company had accounts payable (excluding accrued liabilities) of $76,505 (April 30, 2011 - $187,243) and amounts due to related parties of $78,197 (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. These are discussed further below:

(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 July 31, 2011.

(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 July 31, 2011, the Company has financial instruments denominated in foreign currencies and is exposed to currency risk as follows:

	US $	**Peso**
Cash	203,679	21,656
Receivables	-	35,916
Reclamation bonds	38,191	523,778
Accounts payable	(18,572)	(331,605)
	223,298	**249,745**
Canadian dollars	213,361	20,352

Based on the above and exchange rate movements for the past three 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.

3. Financial Instruments, continued

(c) Market Risk, continued

(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 risks. There were no changes in the Company’s approach to risk management.

4. Capital Management

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.

The Company’s capital includes components of shareholders’ equity. Capital requirements are driven by the Company’s exploration activities on its mineral property interests. 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 to investors in the past. 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 three months ended July 31, 2011. 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

5. Mineral Properties, continued

Deferred mineral property costs by property for the period ended July 31, 2011 are as follows:

	Mexico				USA		
Mineral Properties	**Minas de Ameca $**	**Cerro Las Minitas $**	**Pinabete $**	**San Juan $**	**Oro $**	**Dragoon $**	**Total $**
Acquisition							
Balance as at April 30, 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	61,485	304,520	-	-	1,429	-	367,434
Balance as at July 31, 2011	**303,045**	**705,237**	**-**	**-**	**819,964**	**77,480**	**1,905,726**

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.

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

(i) Pay US $ 50,000 (paid) upon signing of the letter of intent;
(ii) Pay US $250,000 (paid) on December 1, 2010;
(iii) Pay US $300,000 on June 1, 2011 (paid);
(iv) Pay US $300,000 on December 1, 2011;
(v) Pay US $300,000 on June 1, 2012;
(vi) Pay US $800,000 on December 1, 2012;
(vii) Pay US $1,000,000 on June 1, 2013; and
(viii) Pay US $1,000,000 on December 1, 2013.

Total commitment is US $4,000,000 over 36 months.

5. Mineral Properties, continued

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

Pursuant to an agreement dated July 4, 2006, as amended, 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 commitments are as follows:

(i) Issue 50,000 common shares on or before July 26, 2006 (issued);
(ii) Issue 50,000 common shares and incur in the aggregate a minimum of US $100,000 in exploration expenditures on or before July 21, 2007 (issued and incurred);
(iii) Issue 50,000 common shares and incur in the aggregate a minimum of US $450,000 in exploration expenditures on or before July 21, 2008 (issued and incurred);
(iv) Issue 50,000 common shares and incur in the aggregate a minimum of US $950,000 in exploration expenditures on or before July 21, 2009 (issued and incurred);
(v) Issue 50,000 common shares on or before July 21, 2010 (issued);
(vi) Incur in the aggregate a minimum of US $1,800,000 in exploration expenditures on or before July 21, 2011 (*);
(vii) Issue 250,000 common shares on or before July 21, 2011 (issued);
(viii) Incur in the aggregate a minimum of US $3,000,000 in exploration expenditures on or before July 21, 2012(*).

* Agreement amended on July 21, 2010 to extend the exploration commitments as stated. 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 won a bid in an auction conducted by the Mexican federal government with respect to the sale of the El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico. The Company purchased the 1,366 hectare mineral concession by paying $15,600 (Mexican peso 150,000) to earn a 100% interest. The mineral concession is subject to a 1% NSR payable to the Mexican government. The El Magistral 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 $42,685 (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, the Company acquired an option to acquire a 100% interest in the Oro Claims, Grant County, New Mexico. To exercise the option, the Company paid US $10,000 on August 28, 2006 and is required to make staged payments totaling US $680,000 over the next five years as follows:

(i) US $10,000 on or before February 28, 2007 (paid);
(ii) US $20,000 on or before August 28, 2007 (paid);
(iii) US $50,000 on or before August 28, 2008 (paid);
(iv) US $100,000 on or before August 28, 2009 (paid);
(v) US $200,000 on or before August 28, 2010 (paid);
(vi) US $150,000 on or before August 28, 2011 (paid) (*); and
(vii) US $150,000 on or before August 28, 2012 (*).

* Agreement amended on August 28, 2011 to extend the commitments as stated.

Upon exercise of the option, the Company would acquire a 100% undivided interest in the Oro property subject to a 2% NSR payable to the optionors. The optionors 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 staged payments totaling US $350,000 as follows:

(i) US $50,000 upon signing of the agreement (paid);
(ii) US $50,000 on or before December 1, 2008 (paid);
(iii) US $50,000 on or before December 1, 2009 (paid);
(iv) US $50,000 on or before December 1, 2010 (paid);
(v) US $75,000 on or before December 1, 2011; and
(vi) US $75,000 on or before December 1, 2012.

The Company was the successful bidder for two lease land parcels of New Mexico State Land on August 18, 2010, which were critical for future exploration on the Oro property.

A non-interest-bearing reclamation bond of $36,492(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.

5. Mineral Properties, continued

(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 referred to as the Dragoon property.

To exercise the option, the Company paid US $20,000 on September 11, 2007 and is required to make staged payments totaling US $670,000 over the next five years as follows:

(i) US $20,000 on or before August 28, 2008 (paid);
(ii) US $50,000 on or before August 28, 2009 (paid by FMEC);
(iii) US $100,000 on or before August 28, 2010 (paid by FMEC);
(iv) US $200,000 on or before August 28, 2011 (paid by FMEC); and
(v) US $300,000 on or before August 28, 2012.

Upon exercise of the option, the Company will acquire a 100% interest in the Dragoon property subject to a 2% NSR payable to the optionors. The optionors 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.

(e) Mineral Property Exploration Expenses

Exploration expenditures incurred for the three-month period ended July 31, 2011 were as follows:

	Mexico		USA		
Mineral Properties	**Minas de Ameca $**	**Cerro Las Minitas $**	**Oro $**	**Dragoon $**	**Total $**
Assays and geochemistry	-	7,604	1,022	-	8,626
Camp, utilities and supplies	-	5,308	-	-	5,308
Drilling services	-	167,726	-	-	167,726
Equipment, rentals and supplies	-	7,225	-	-	7,225
Geological and geophysics	-	22,712	2,666	-	25,378
Project supervision	-	84,996	2,216	680	87,892
Project support	-	8,950	-	-	8,950
Travel	-	152	679	-	831
	-	**304,673**	**6,583**	**680**	311,936
General exploration - other					**8,793**
					320,729

5. Mineral Properties, continued

(d) Mineral Property Exploration Expenses, continued

Exploration expenditures incurred for the three-month period ended July 31, 2010 were as follows:

	Mexico	USA			
Mineral Properties	**Minas de Ameca**	**San Juan**	**Oro**	**Dragoon**	**Total**
	$	**$**	**$**	**$**	**$**
Assays and geochemistry	-	327	-	-	327
Camp, utilities and supplies	-	226	26	-	252
Equipment, rentals and supplies	384	753	230	-	1,367
Geological and geophysics	-	150	371	-	521
Project supervision	5,705	3,988	-	2,567	12,260
Project support	-	-	192	-	192
Travel	1,494	-	-	-	1,494
Environmental	-	2,138	2,649	-	4,787
	7,583	**7,582**	**3,468**	**2,567**	21,200
General exploration - other					**49,851**
					71,051

(e) 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.

(f) 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.

6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the three months ended July 31, 2011.

(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:

- $24,000 in respect of office space and general administration services (2010 - $24,000) (Note 10);
- $15,570 in respect of professional services (2010 - $14,174);
- $12,030 in respect of consulting services (2010 - $11,933);
- $42,188 in respect of investor relations services (2010 - $20,927);
- $33,973 in respect of geological consulting services in relation to mineral properties (2010 - $3,595);
- $4,024 in respect of the mark-up on out-of-pocket expenses (2010 - $1,069); and
- $1,425 in respect of office and general (2010 - $1,185).

Amounts payable as at July 31, 2011 were $45,841 (April 30, 2011 $nil). Amounts included in prepayments as at July 31, 2011 were $35,779 (April 30, 2011 - 21,669).

(b) Pursuant to a consulting agreement, as amended, between the Company and the President of the Company, the Company was charged $28,080 (2010 - 28,080) for consulting services. Amounts payable as at July 31, 2011 were $20,966 (April 30, 2011 - $20,966).

(c) Fees in the amount of $131,099 (2010 - $9,230) 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 July 31, 2011 were $11,390 (April 30, 2011 - $4,161).

(d) Consulting fees relating to office administration of $6,000 (2010 - $6,000) were charged by a private company controlled by a director and an officer of the Company.

(e) Fees in the amount of $9,815 (2010 - $17,360) were charged by a director of the Company for geological services. Amounts payable as at July 31, 2011 were $nil (April 30, 2011 - $11,689).

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

Other than fees paid to independent directors of $8,048 (July 31, 2010 - $8,966), consulting fees paid to directors and other members of key management personnel (disclosed in (a - $7,500), (b), (d) and (e) above), the Company paid no other fees or share-based payments during the three months ended July 31, 2011 or July 31, 2010.

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 common shares at a price of $0.17 per unit to raise $4,000,100. Each unit will consist 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.

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 also 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)). The Company also incurred cash finders' fees and other share issue costs of $258,932.

(b) Shares Issued for Mineral Properties

During the three months ended July 31, 2011, the Company issued 250,000 common shares with a fair value of $42,500 (Note 5(b)(iii)).

(c) Stock Options

As at July 31, 2011 and April 30, 2011, the Company had 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.

7. Share Capital, continued

(c) Stock Options, continued

As at July 31, 2011, and July 31, 2010 options were outstanding and exercisable as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2011	Granted	Expired	Exercised	Balance July 31, 2011
$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	-	-	-	2,565,000
$0.17	$0.13	November 29, 2015	2,380,000	-	-	-	2,380,000
$0.17	$0.11	December 13, 2015	315,000	-	-	-	315,000
			7,280,000	**-**	**350,000**	**-**	**6,930,000**
Weighted average exercise price			$0.27	-	$0.88	-	$0.24
Weighted average remaining life (years)			3.27				3.18

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2010	Granted	Expired	Exercised	Balance July 31, 2010
$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	-	65,000	-	370,000
$0.58	$0.54	March 1, 2012	1,145,000	-	10,000	-	1,135,000
$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	-	15,000	-	510,000
$0.16	$0.15	January 8, 2015	3,200,000	-	25,000	-	3,175,000
			6,360,000	**-**	**115,000**	**-**	**6,245,000**
Weighted average exercise price			$0.35	-	$0.61	-	$0.35
Weighted average remaining life (years)			3.14				2.91

7. Share Capital, continued

(d) Share Purchase Warrants

As at July 31, 2011, and July 31, 2010 share purchase warrants were outstanding as follows:

Exercise Price	Expiry Date	Balance April 30, 2011	Granted	Expired	Exercised	Balance July 31, 2011
$0.20	December 10, 2011	11,851,500	-	-	4,000	11,847,500
$0.20	December 10, 2011	547,200	-	-	34,200	513,000
$0.20	December 24, 2011	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
		42,109,000	**15,400,177**	**-**	**38,200**	**57,470,977**
Weighted average exercise price		$0.20	$0.22	-	$0.20	$0.21
Weighted average remaining life (years)		1.21				1.23

Exercise Price	Expiry Date	Balance April 30, 2010	Granted	Expired	Exercised	Balance July 31, 2010
$0.20	December 10, 2011	14,570,000	-	-	-	14,570,000
$0.20	December 10, 2011	653,400				653,400
$0.20	December 24, 2011	3,590,000				3,590,000
$0.20	December 24, 2011	166,800	-	-	-	166,800
		18,980,200	**-**	**-**	**-**	**18,980,200**
Weighted average exercise price		$0.20	-	-	-	$0.20
Weighted average remaining life (years)		$1.62				1.37

7. Share Capital, continued

(e) Fair Value Determination

The fair value of warrants granted were estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2011		2010	
	Options	**Warrants**	**Options**	**Warrants**
Risk-free interest rate	N/A	1.52%	N/A	N/A
Expected share price volatility	N/A	95.97%	N/A	N/A
Expected option/warrant life in years	N/A	2	N/A	N/A
Expected dividend yield	N/A	0.00%	N/A	N/A

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:

	July 31,2011		**April 30, 2011**	
	$	**%**	**$**	**%**
Canada	2,350,934	51%	1,130,092	39%
Mexico	1,297,757	29%	868,915	30%
USA	933,936	20%	896,016	31%
	4,582,627	**100%**	**2,895,023**	**100%**

9. Supplemental Cash Flow Information

		2011		**2010**
Cash items				
Interest received	$	1,484	$	319
Income tax paid	$	-	$	-
Interest paid	$	-	$	-
Non-cash items				
Financing activities				
Shares issued for mineral property	$	42,500	$	-
Share issuance costs	$	204,479	$	-
Fair value of stock options and warrants expired	$	280,000	$	-
Fair value of warrants exercised	$	2,191	$	-

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 $88,000 all due within one year.

11. Transition to IFRS

As stated in Note 2 (a), these are the Company's first 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 months ended July 31, 2011, the comparative information presented in these condensed consolidated interim financial statements for the three months ended July 31, 2010, preparing an opening IFRS consolidated statement of financial position at May 1, 2010, the Company's date of transition, 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. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at May 1, 2010.

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 Assets, Liabilities and Equity

The below tables provide a summary of the adjustments to the Company's consolidated statement of financial position:

	Note		**April 30, 2011**		**July 31, 2010**		**May 1, 2010**
Total Assets per Canadian GAAP		**$**	5,965,397	$	3,724,472	$	4,104,063
Decrease in mineral properties	11(a)		(3,070,374)		(2,193,925)		(2,241,687)
Total assets per IFRS		**$**	**2,895,023**	$	**1,530,547**	$	**1,862,376**
Total Liabilities per Canadian GAAP		**$**	256,059	$	71,979	$	87,196
Total Liabilities per IFRS		**$**	**256,059**	**$**	**71,979**	**$**	**87,196**

11. Transition to IFRS, continued

Reconciliation of Assets, Liabilities and Equity, continued

	Note		April 30, 2011		July 31, 2010		May 1, 2010
Shareholders' Equity							
Total Equity per Canadian GAAP		$	5,709,338	$	3,652,493	$	4,016,867
Decrease in mineral properties	11(a)		(3,070,374)		(2,193,925)		(2,241,687)
Decrease in contributed surplus	11(b)		(1,791,713)		(1,292,842)		(1,229,892)
Decrease in deficit	11(b)		1,791,713		1,292,842		1,229,892
Total Equity per IFRS			**2,638,964**		**1,458,568**		**1,775,180**
Total Liabilities and Equity per IFRS		**$**	**2,895,023**	**$**	**1,530,547**	**$**	**1,862,376**

Reconciliation of Comprehensive Loss

The below table provides a summary of the adjustments to comprehensive loss for the year ended April 30, 2011 and the three month period ended July 31, 2010:

	Note		April 30, 2011	July 31, 2010
Net and Comprehensive Loss per Canadian GAAP		$	1,729,260	364,374
Increase in exploration expenditures	11(a)		897,649	21,200
Reverse impairment of mineral properties	11(a)		(68,962)	(68,962)
Net and Comprehensive Loss per IFRS		**$**	**2,557,947**	**316,612**

Reconciliation of Cash Flows

The below table provides a summary of the adjustments to cash flows for the three months ended July 31, 2010:

		July 31, 2010
Operating Activities per Canadian GAAP	**$**	(257,674)
Increase in net loss for the period		(30,505)
Operating Activities per IFRS	**$**	**(288,179)**
Investing Activities per Canadian GAAP	**$**	(69,197)
Decrease in expenditures on mineral properties		30,505
Investing Activities per IFRS	**$**	**(38,692)**

12. Subsequent Events

The following events occurred subsequent to July 31, 2011:

Equity Financing

On August 16, 2011, the Company closed the second tranche of its previously announced private placement by issuing 4,818,206 units at $0.17 per unit for gross proceeds of $819,095. The Company also issued 328,421 finders' warrants with an exercise price of $0.22 per share expiring on August 16, 2013.

On August 29, 2011, the Company closed the final tranche of its previously announced private placement by issuing 43,534 units at $0.17 per unit for gross proceeds of $7,401. The Company also issued 2,000 finders' warrants with an exercise price of $0.22 per share expiring on August 29, 2013.