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Audited Consolidated Financial Statements
April 30, 2011 and 2010

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Southern Silver Exploration Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded. All transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Lawrence Page"

Lawrence Page, Q.C.
President and Chief Executive Officer

"Mahesh Liyanage"

Mahesh Liyanage, CA
Chief Financial Officer

Vancouver, British Columbia
August 11, 2011

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOUTHERN SILVER EXPLORATION CORP.
(an exploration stage company)

We have audited the accompanying consolidated financial statements of Southern Silver Exploration Corp. (an exploration stage company), which comprise the consolidated balance sheets as at April 30, 2011 and 2010, and the consolidated statements of operations and comprehensive loss, cash flows and shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southern Silver Exploration Corp. as at April 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $1,729,260 during the year ended April 30, 2011 and has accumulated a deficit of $22,002,401 as at April 30, 2011. This condition, along with other matters set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia
August 11, 2011

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Balance Sheets
As at April 30,

			2011		2010
Assets					
Current					
Cash		$	1,125,169	$	656,457
Receivables			141,461		38,607
Prepaids	Note 6(a)		47,089		42,979
			1,313,719		**738,043**
Mineral properties	Note 5		4,608,666		3,312,020
Reclamation bonds	Note 5(b)		43,012		54,000
		$	**5,965,397**	**$**	**4,104,063**
Liabilities					
Current					
Accounts payable and accrued liabilities		$	219,243	$	82,080
Due to related parties	Note 6		36,816		5,116
			256,059		**87,196**
Shareholders' Equity					
Share capital	Note 7		24,045,028		21,008,918
Contributed surplus			3,666,711		3,281,090
Deficit			(22,002,401)		(20,273,141)
			5,709,338		**4,016,867**
		$	**5,965,397**	**$**	**4,104,063**

Contingencies and commitments (Note 11)

Subsequent events (Note 12)

Approved on behalf of the Board *"Lawrence Page"* *"Terry Eyton"*

Lawrence Page, Q.C. **Terry Eyton**

See notes to consolidated financial statements

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Operations and Comprehensive Loss
Years ended April 30,

			2011		2010
Expenses					
Administration		$	96,000	$	96,000
Consulting					
Services			230,090		278,638
Stock-based compensation	Note 7 (e)		162,361		247,500
Independent directors' fees					
Services			37,752		37,411
Stock-based compensation	Note 7 (e)		35,231		48,750
Investor relations			195,723		105,271
General exploration			79,398		62,255
Office and general			70,478		63,544
Professional fees			195,184		178,107
Regulatory fees and taxes			14,554		28,906
Shareholders' communications			15,838		11,060
Transfer agent			15,803		13,287
Travel and promotion			98,322		40,075
Staff costs					
Stock-based compensation	Note 7 (e)		88,550		108,750
			1,335,284		**1,319,554**
Other Items					
Interest income			(5,382)		(651)
Foreign exchange loss			14,460		77,366
Share purchase warrants modification	Note 7 (d)		-		109,494
Write-off of mineral properties	Note 5		384,898		859,937
			393,976		**1,046,146**
Net Loss and Comprehensive Loss for Year		**$**	**1,729,260**	**$**	**2,365,700**
Loss per share - basic and diluted		$	0.02	$	0.05
Weighted average number of common shares outstanding			77,451,968		51,157,165

See notes to consolidated financial statements

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Cash Flows
Years ended April 30,

	2011	2010
Operating Activities		
Net loss for the year	$ (1,729,260)	$ (2,365,700)
Items not involving cash:		
Stock-based compensation	286,142	405,000
Share purchase warrants modification	-	109,494
Unrealized foreign exchange gain	53,121	43,113
Write-off of mineral properties	384,898	859,937
	(1,005,099)	(948,156)
Changes in non-cash working capital		
Receivables	(102,854)	(16,911)
Prepaids	(4,110)	(7,158)
Accounts payable and accrued liabilities	4,083	24,363
Due to related parties	22,781	(119)
	(80,100)	175
Cash Used in Operating Activities	(1,085,199)	(947,981)
Investing Activities		
Expenditures on mineral properties	(1,468,779)	(799,488)
Reclamation bonds	12,403	9,282
Cash Used in Investing Activities	(1,456,376)	(790,206)
Financing Activities		
Proceeds from issuance of shares, net of share issue costs	2,230,130	1,608,818
Proceeds from warrants exercise	737,340	377,778
Proceeds from stock options exercise	97,350	-
Cash Provided by Financing Activities	3,064,820	1,986,596
Foreign Exchange Effect on Cash	(54,533)	(41,155)
Increase in Cash During the Year	468,712	207,254
Cash , Beginning of Year	656,457	449,203
Cash , End of Year	$ 1,125,169	$ 656,457

Supplemental cash flow information (Note 10)

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Shareholders' Equity
Years ended April 30, 2011 and 2010

	Number of Shares	Amount	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance as at April 30, 2009	42,874,321	$19,000,984	$ 2,702,685	$ (17,907,441)	$ 3,796,228
Issued					
Private placement	18,160,000	1,816,000	-	-	1,816,000
Shares for mineral property payment (Note 7(b))	100,000	10,250	-	-	10,250
Exercised share purchase warrants	3,777,775	377,778	-	-	377,778
Stock-based compensation			480,000	-	480,000
Share issue costs	-	(259,731)	52,548	-	(207,183)
Fair value of warrants exercised	-	63,637	(63,637)	-	-
Share purchase warrants modification	-	-	109,494	-	109,494
Net loss for the year	-	-	-	(2,365,700)	(2,365,700)
Balance as at April 30, 2010	64,912,096	21,008,918	3,281,090	(20,273,141)	4,016,867
Issued					
Private placement	25,000,000	2,500,000	-	-	2,500,000
Shares for mineral property payment (Note 7(b))	50,000	5,000	-	-	5,000
Exercised share purchase warrants	3,686,700	737,340	-	-	737,340
Exercised stock options	590,000	97,350	-	-	97,350
Stock-based compensation	-	-	351,911	-	351,911
Share issue costs (Note 6(d))	-	(389,782)	119,912	-	(269,870)
Fair value of warrants exercised	-	7,092	(7,092)	-	-
Fair value of stock options exercised	-	79,110	(79,110)	-	-
Net loss for the year	-	-	-	(1,729,260)	(1,729,260)
Balance as at April 30, 2011	94,238,796	$24,045,028	$3,666,711	($22,002,401)	$5,709,338

See notes to consolidated 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. 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 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 consolidated 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 April 30, 2011, the Company had working capital of $1,057,660 (2010 - $650,847). The Company does not hold any revenue generating properties and has incurred a loss of $1,729,260 for the year ended April 30, 2011 (2010 - $2,365,700). The Company has an accumulated deficit of $22,002,401 as at April 30, 2011 (2010 - $20,273,141).

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. The Company is currently in the process of closing a private placement as disclosed in note 12.

These consolidated 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 consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars, the Company's functional currency, 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.

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation and Consolidation, continued

All intercompany accounts and transactions were eliminated upon consolidation.

Certain prior year's comparative figures have been reclassified to conform to the presentation adopted in the current year.

(b) Mineral Properties

The Company defers all costs related to investments in mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs and exploration expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral properties are either developed or the Company's mineral rights are allowed to lapse.

All deferred mineral property expenditures are reviewed annually, 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 deferred costs, provision is made for the impairment in value.

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

(c) Reclamation Bonds

Reclamation bonds are 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.

2. Summary of Significant Accounting Policies, continued

(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. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, 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.

(f) Stock-Based Compensation

The Company accounts for stock-based compensation using a fair value-based method with respect to all stock-based payments to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged to operations, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company does not incorporate an estimated forfeiture rate for options that will not vest, but rather accounts for actual forfeitures as they occur.

(g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future 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. Future 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 future 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 future 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.

2. Summary of Significant Accounting Policies, continued

(i) Financial Instruments

Financial instruments are classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Financial assets and liabilities held-for-trading 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 as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, 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) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of environmental obligations, asset retirement obligations ("ARO"), receivables, accrued liabilities, the impairment and resulting carrying value of mineral properties, determination of the valuation allowance for future tax assets and the assumptions used in the calculation of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(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) Asset Retirement Obligations

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount will be depleted on a straight-line basis over the estimated life of the asset. The liability amount will be increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs to record in the financial statements.

(m) Future Accounting Changes

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its interim consolidated financial statements for the three months ended July 31, 2011, which must include restated interim results for the period ended July 31, 2010 prepared on the same basis.

The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company has established an implementation team and developed a plan to implement the changeover to IFRS on a timely basis.

2. Summary of Significant Accounting Policies, continued

(n) Future Accounting Changes, continued

(ii) Business Combinations

In January 2010, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for a non-controlling interest in a subsidiary.

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

These new sections apply to the Company's interim and annual consolidated financial statements relating to fiscal years beginning on May 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently.

3. Financial Instruments

The carrying value of financial assets by category at April 30, 2011 and 2010 are as follows:

	2011		**2010**	
Financial Assets	**Held-for-Trading**	**Loans and Receivables**	**Held-for-Trading**	**Loans and Receivables**
Cash	$ 1,125,169	$ -	$ 656,457	$ -
Receivables	-	4,746	-	8,905
Reclamation bonds	-	43,012	-	54,000
	$ 1,125,169	**$ 47,758**	**$ 656,457**	**$ 62,905**

3. Financial Instruments, continued

The carrying value of financial liabilities by category at April 30, 2011 and 2010 are as follows:

	2011		2010	
Financial Liabilities	**Other Financial Liabilities**		**Other Financial Liabilities**	
Accounts payable	$	187,243	$	52,080
Due to related parties		36,816		5,116
	$	**224,059**	**$**	**57,196**

Fair Value

The carrying values of cash, receivables, and accounts payable approximate their fair values due to their short term to maturity. The reclamation bonds are non-interest-bearing deposits and the carrying values approximate their fair value. The fair values of amounts due to related parties cannot be reliably measured since there is no quoted price for such instruments.

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 anticipated investing and financing activities. The Company normally maintains sufficient cash to meet the Company's business requirements. However, at April 30, 2011 the cash balance of $1,125,169 (2010 - $656,457) would be insufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests and continuing with its exploration program in the coming year. Therefore, the Company will be required to raise additional capital in order to fund its operations in 2011/2012 (see note 12). At April 30, 2011, the Company had accounts payable (excluding accrued liabilities) of $187,243 (2010 - $52,080) and amounts due to related parties of $36,816 (2010 - $5,116), due within 30 days.

3. Financial Instruments, continued

(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 April 30, 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 April 30, 2011, the Company has financial instruments denominated in foreign currencies and is exposed to currency risk as follows:

	US $	**Peso**
Cash	785,775	33,638
Receivables	-	1,033,779
Reclamation bonds	-	523,778
Accounts payable	(164,245)	(241,743)
	621,530	**1,349,452**
Canadian dollars	589,583	111,073

Based on the above, assuming all other variables remain constant, a 6% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of $35,375 in the Company's net loss and comprehensive loss. A 0.5% weakening or strengthening of the Canadian dollar against the Mexican peso would result in an increase/decrease of $556 in the Company's net loss and comprehensive loss.

(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. Management of Capital

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 year ended April 30, 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

  (iii) Pinabete property (relinquished the rights to the property during the year ended April 30, 2011)

  (iv) San Juan property (relinquished the rights to the property during the year ended April 30, 2011)

- **United States**

  (i) Oro property

  (ii) Dragoon properties

5. Mineral Properties, continued

Deferred mineral property costs by property for the year ended April 30, 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**
Exploration							
Balance as at April 30, 2010	1,563,434	-	-	61,381	557,782	59,090	2,241,687
Additions during the year:							
Assays and geochemistry	-	3,568	-	327	4,887	-	8,782
Camp, utilities and supplies	1,460	17,236	-	226	2,906	-	21,828
Drilling services	-	175,739	-	-	-	-	175,739
Equipment/rentals/supplies	434	28,292	-	753	1,077	-	30,556
Geological and geophysics	3,615	247,285	-	88	103,682	2,163	356,833
Project supervision	7,139	193,276	-	3,988	27,585	17,154	249,142
Project support	225	25,583	-	61	247	-	26,116
Travel	1,596	8,557	-	-	10,058	-	20,211
Environmental	667	2,988	-	2,138	2,649	-	8,442
Total additions during the year	15,136	702,524	-	7,581	153,091	19,317	897,649
Write-off during the year	-	-	-	(68,962)	-	-	(68,962)
Balance as at April 30, 2011	**1,578,570**	**702,524**	**-**	**-**	**710,873**	**78,407**	**3,070,374**
Total Mineral Properties Expenditures as at April 30, 2011	**1,820,130**	**1,103,241**	**-**	**-**	**1,529,408**	**155,887**	**4,608,666**

5. Mineral Properties, continued

Deferred mineral property costs by property for the year ended April 30, 2010 are as follows:

	Mexico			USA		
Mineral Properties	**Minas de Ameca $**	**Pinabete $**	**San Juan $**	**Oro $**	**Dragoon $**	**Total $**
Acquisition						
Balance as at April 30, 2009	341,807	196,847	-	320,296	68,895	927,845
Additions during the year	80,513	40,202	53,996	173,957	7,728	356,396
Write-offs during the year	(213,908)	-	-	-	-	(213,908)
Balance as at April 30, 2010	**208,412**	**237,049**	**53,996**	**494,253**	**76,623**	**1,070,333**
Exploration						
Balance as at April 30, 2009	2,114,946	-	-	187,560	46,691	2,349,197
Additions during the year						
Assays and geochemistry	137	-	1,406	28,544	-	30,087
Camp, utilities and supplies	7,426	-	5,162	4,396	-	16,984
Drilling services	-	-	-	234,300	-	234,300
Equipment/rentals/supplies	7,270	-	6,103	9,738	-	23,111
Geological and geophysics	2,860	-	4,473	44,669	8,566	60,568
Project supervision	69,241	-	38,239	45,098	3,008	155,586
Project support	4,049	-	2,855	1,898	825	9,627
Travel	1,650	-	3,143	1,579	-	6,372
Environmental	1,884	-	-	-	-	1,884
Total additions during the year	94,517	-	61,381	370,222	12,399	538,519
Write-offs during the year	(646,029)	-	-	-	-	(646,029)
Balance as at April 30, 2010	**1,563,434**	**-**	**61,381**	**557,782**	**59,090**	**2,241,687**
Total Mineral Properties as at April 30, 2010	**1,771,846**	**237,049**	**115,377**	**1,052,035**	**135,713**	**3,312,020**

5. Mineral Properties, continued

Terms of the agreements for these 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 Mintas property located in Durango, Mexico. Upon signing the letter of intent the Company paid US $50,000 to secure exclusive right to the property. Subsequent to the due diligence, the Company announced that it has executed a formal agreement to acquire 100% interest in the property.

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 – see note 12(c));
(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.

(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 – see note 12(d));
(viii) Incur in the aggregate a minimum of US $3,000,000 in exploration expenditures on or before July 21, 2012(*).

5. Mineral Properties, continued

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

* 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 $43,012 (2010 - $42,362) (Mexican peso 523,778) 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.

(c) Pinabete Property - Mexico

Pursuant to an agreement dated August 16, 2004 and incorporated into an option agreement dated April 6, 2005 as amended February 25, 2009, Anglo American Mexico S.A. de C.V. ("Anglo American") granted the Company an option to acquire a 100% undivided interest in the Pinabete Mineral Concessions ("Pinabete") located in southern Chihuahua, Mexico.

To exercise the option, the Company is required to:

(i) Issue an initial 200,000 common shares to Anglo American (issued);
(ii) Issue a further 50,000 common shares and incur in the aggregate a minimum of US $200,000 in exploration expenditures on or before December 12, 2005 (issued and incurred);

5. Mineral Properties, continued

(c) Pinabete Property – Mexico, continued

(iii) Issue a further 50,000 common shares and incur in the aggregate a minimum of US $400,000 in exploration expenditures on or before December 12, 2006 (issued and incurred);
(iv) Issue a further 50,000 common shares and incur in the aggregate a minimum of US $700,000 in exploration expenditures on or before December 12, 2007 (issued and incurred); and
(v) Issue a further 50,000 common shares (issued) and incur in the aggregate a minimum of US $2,000,000 in exploration expenditures on or before December 12, 2010.

Upon exercise of the option, the Company would acquire a 100% undivided interest in Pinabete subject to a 1.5% NSR payable to Anglo American. Alternatively, in lieu of the 1.5% NSR, Anglo American has the right, for a period of 90 days after such election, to reduce the Company's interest from a 100% to a 40% working interest by paying to the Company an amount equal to 200% of its total expenditures incurred on Pinabete. Anglo American has the right to further reduce the Company's interest to a 35% working interest by completing a pre-feasibility study.

On February 25, 2009, the option agreement was amended to extend the exploration commitment date from December 12, 2008 to December 12, 2010 in consideration for the Company issuing an additional 100,000 common shares to Anglo American. The property was written down by $990,956 during the year ended April 30, 2009.

During the year ended April 30, 2011, the Company relinquished the right to the above property and the capitalized acquisition costs of $261,308 were written off.

(d) San Juan Property - Mexico

Pursuant to an agreement dated January 25, 2010, the Company obtained an option to acquire a 100% interest in the San Juan property in consideration of cash payments totaling US $1,000,000 over four years as follows:

(i) US $10,000 upon signing (paid);
(ii) US $40,000 60 days later (paid);
(iii) US $50,000 July 25, 2010;
(iv) US $50,000 January 25, 2011;
(v) US $75,000 July 25, 2011;
(vi) US $75,000 January 25, 2012;
(vii) US $75,000 July 25, 2012;
(viii) US $75,000 January 25, 2013;
(ix) US $50,000 July 25, 2013; and
(x) US $500,000 January 25, 2014.

During the year ended April 30, 2011, the Company relinquished the right to the above property and the capitalized acquisition and exploration costs in the amount of $123,591 were written off.

5. Mineral Properties, continued

(e) Oro Property – New Mexico, USA

Pursuant to an agreement dated August 28, 2006, 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); and
(vi) US $300,000 on or before August 28, 2011.

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.

5. Mineral Properties, continued

(f) 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; 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.

(g) General

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.

(h) 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.

5. Mineral Properties, continued

(h) Environmental, continued

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 year ended April 30, 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:

- $96,000 in respect of office space and general administration services (2010 - $96,000) (Note 11);
- $57,322 in respect of professional services (2010 - $61,515);
- $67,770 in respect of consulting services (2010 - $58,443);
- $81,659 in respect of investor relations services (2010 - $56,827);
- $81,018 in respect of geological consulting services in relation to mineral properties (2010 - $23,153);
- $8,116 in respect of the mark-up on out-of-pocket expenses (2010 - $4,967); and
- $12,297 in respect of office and general (2010 - $5,175).

As of April 30, 2011, prepayments of $21,669 (2010 - $11,025) was made in relation to the office space and administration services, and consulting services.

(b) Pursuant to a consulting agreement, as amended, between the Company and the President of the Company, the Company for $112,320 (2010 - $112,320) for consulting services. Amounts payable as at April 30, 2011 were $20,966 (2010 - $Nil).

(c) Fees in the amount of $68,561 (2010 - $59,218) were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2011 were $4,161 (2010 - $2,576).

(d) Fees in the amount of $159,820 (2010 - $147,000) were charged by a private company controlled by a director and an officer (resigned on January 22, 2010) of the Company and included in consulting and share issue costs.

(e) Consulting fees relating to office administration of $24,000 (2010 - $24,000) were charged by a private company controlled by a director and an officer of the Company.

(f) Fees in the amount of $75,465 (2010 - $2,540) were charged by a director of the Company for geological services. Amounts payable as at April 30, 2011 were $11,689 (2010 - $2,540).

7. Share Capital

(a) Private Placements

Completed during the year ended April 30, 2011

A non-brokered unit private placement was announced on October 13, 2010 and amended on November 24, 2010 to issue up to 25,000,000 common shares at a price of $0.10 per unit to raise $2,500,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one common share at $0.20 for a period of two years. The private placement closed in three tranches, October 27, 2010, November 29, 2010 and December 10, 2010.

The Company incurred $389,782 for share issue costs of which $ 106,350 consists of finder's fees, $163,520 general share issue costs and $119,912 cost of agent warrants issued (1,815,500 warrants exercisable at $0.20 per unit expiring October 27, 2012 through December 10, 2012) and calculated using the Black-Scholes option pricing model (Note 7(e)).

Completed during the year ended April 30, 2010

A non-brokered unit private placement was announced on November 24, 2009 and amended on December 10, 2009 to issue up to 18,000,000 common shares at a price of $0.10 per unit to raise $1,800,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one common share at $0.20 for a period of two years. The private placement closed in two tranches, December 10, 2009 and December 24, 2009.

The first tranche, for 14,570,000 units at $0.10 per unit, closed on December 10, 2009 for gross proceeds of $1,457,000 and the final tranche for 3,590,000 units at $0.10 per unit closed on December 24, 2010 for gross proceeds of $359,000 for a total of 18,160,000 common shares for gross proceeds of $1,816,000.

The Company incurred total share issuance costs of $259,731 comprised of $87,420 finder's fees, $119,763 general share issue costs and $52,548 representing the fair value of agent warrants issued (820,200 warrants exercisable at $0.20 per unit expiring December 10, 2011 through December 24, 2011, respectively) and calculated using the Black-Scholes option pricing model.

(b) Shares Issued for Mineral Properties

During the year ended April 30, 2011, the Company issued 50,000 (2010 - 100,000) common shares with a fair value of $5,000 (2010 - $10,250).

(c) Stock Options

As at April 30, 2011 and 2010, 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.

7. Share Capital, continued

(c) Stock Options, continued

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.

On November 29, 2010 and December 13, 2010, the Company granted a total of 2,815,000 stock options to directors, officers, consultants and management company employees exercisable at $0.17 per option, which vested immediately and expire five years from the date of the grant.

As at April 30, 2011, 7,280,000 (2010 - 6,360,000) options were outstanding and exercisable as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2010	Granted	Expired	Exercised	Balance April 30, 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	35,000	455,000
$0.16	$0.15	January 8, 2015	3,200,000	-	200,000	435,000	2,565,000
$0.17	$0.08	November 29, 2015	-	2,500,000	-	120,000	2,380,000
$0.17	$0.06	December 13, 2015	-	315,000	-	-	315,000
			6,360,000	**2,815,000**	**1,305,000**	**590,000**	**7,280,000**
Weighted average exercise price			$0.35	$0.17	$0.52	$0.17	$0.27
Weighted average remaining contractual life (in years)							3.27

7. Share Capital, continued

(c) Stock Options, continued

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2009	Granted	Expired	Balance April 30, 2010
$0.65	$0.34	December 10, 2009	827,500	-	827,500	-
$0.30	$0.27	October 13, 2010	205,000	-	-	205,000
$0.51	$0.43	November 8, 2010	415,000	-	15,000	400,000
$0.83	$0.64	January 16, 2011	190,000	-	15,000	175,000
$0.82	$0.72	March 27, 2011	125,000	-	-	125,000
$0.88	$0.80	June 1, 2011	460,000	-	25,000	435,000
$0.58	$0.54	March 1, 2012	1,210,000	-	65,000	1,145,000
$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	550,000	-	25,000	525,000
$0.16	$0.15	January 8, 2015	-	3,200,000	-	3,200,000
			4,132,500	**3,200,000**	**972,500**	**6,360,000**
Weighted average exercise price			$0.58	$0.16	$0.64	$0.35
Weighted average remaining contractual life (in years)						3.14

(d)

(d) Share Purchase Warrants

The Company's share purchase warrants for the years ended April 30, 2011 and 2010 are summarized as follows:

Exercise Price	Expiry Date	Balance April 30, 2010	Granted	Expired	Exercised	Balance April 30, 2011
$0.20	December 10, 2011	14,570,000	-	-	2,718,500	11,851,500
$0.20	December 10, 2011	653,400	-	-	106,200	547,200
$0.20	December 24, 2011	3,590,000	-	-	850,000	2,740,000
$0.20	December 24, 2011	166,800	-	-	12,000	154,800
$0.20	October 27, 2012	-	10,497,000	-	-	10,497,000
$0.20	November 26, 2012	-	11,444,500	-	-	11,444,500
$0.20	December 10, 2012	-	4,874,000	-	-	4,874,000
		18,980,200	**26,815,500**	**-**	**3,686,700**	**42,109,000**
Weighted average exercise price		$0.20	$0.20	-	$0.20	$0.20
Weighted average remaining contractual life (in years)						1.21

7. Share Capital, continued

(d) Share Purchase Warrants, continued

Exercise Price	Expiry Date	Balance April 30, 2009	Granted	Expired	Exercised	Balance April 30, 2010
$0.60	February 24, 2010	6,500,000	-	2,722,225	3,777,775	-
$0.20	December 10, 2011	-	15,223,400	-	-	15,223,400
$0.20	December 24, 2011	-	3,756,800	-	-	3,756,800
		6,500,000	**18,980,200**	**2,722,225**	**3,777,775**	**18,980,200**
Weighted average exercise price		$0.60	$0.20	$0.60	$0.10	$0.20
Weighted average remaining contractual life (in years)						1.62

During the year ended April 30, 2010, the Company amended the exercise price of all outstanding share purchase warrants from $0.60 per share to $0.10 per share on May 6, 2009 with a provision to accelerate the expiry to 30 days if the closing trading price of the Company's common shares is $0.135 or greater for a period of 10 consecutive trading days.

The re-pricing of the warrants resulted in a non-cash expense of $109,494, derived using the Black-Scholes option pricing model and included in the statements of operations.

The Company gave notice to the warrant holders on November 17, 2009, that the Company accelerated the date upon which the 6,500,000 warrants will expire from February 24, 2010 to December 23, 2009 since the Company's shares have traded at a closing price of $0.135 or more per share for a period of ten consecutive trading days. As a result, 3,777,775 warrants were exercised for total proceeds of $377,778 and 2,722,225 warrants expired unexercised.

(e) Fair Value Determination

The fair value of stock options and 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	2.39%	1.61%	2.69%	1.31%
Expected share price volatility	118.26%	102.73%	112.08%	137.00%
Expected option/warrant life in years	5	2	5	2
Expected dividend yield	0%	0%	0%	0%

7. Share Capital, continued

(e) Fair Value Determination, continued

The total calculated fair value of stock-based compensation included in operations for the years ended April 30, 2011 and 2010 is as follows

		2011		2010
Consulting	$	162,361	$	247,500
Independent directors' fees		35,231		48,750
Staff costs		88,550		108,750
Subtotal		286,142		405,000
Geological services (mineral properties)		65,769		75,000
Total	**$**	**351,911**	**$**	**480,000**

8. Income Taxes

The Company has available approximate non-capital losses that may be carried forward to apply against future years' income for income tax purposes. The losses expire as follows:

Available to		Amount
2014	$	138,000
2015		541,000
2016		1,292,000
2017		1,384,000
2018		1,930,000
2019		735,000
2020		486,000
2021		1,322,000
2026		830,000
2027		1,206,000
2028		1,148,000
2029		762,000
2030		1,052,000
2031		1,071,000
	$	**13,897,000**

The tax losses above include approximately $7,280,000 that may be applied against future taxable income in Mexico, which expire in stages over a 10-year period, and tax losses of approximately $31,000 that may be applied against future taxable income in the United States over a 20-year period.

8. Income Taxes, continued

A reconciliation of income tax provision computed at current statutory rates to the reported income tax provision is provided as follows:

	2011	2010
Income tax benefit computed at Canadian statutory rates	$ 481,253	$ 696,961
Permanent differences	(79,643)	(119,475)
Temporary differences	61,978	30,195
Differences due to tax rates of other countries	2,632	(6,542)
Change in valuation allowance	(436,058)	(480,944)
Change resulting from tax rate reduction	(30,162)	(120,195)
	$ -	**$ -**

Significant components of the Company's future income tax assets, after applying enacted corporate income tax rates, are as follows:

	2011	2010
Future income tax assets		
Tax value over book value of mineral properties	$ 426,113	$ 649,861
Tax losses carried forward	3,695,306	3,056,775
Tax value over book value of property, plant and equipment	7,302	7,302
Share issuance costs	87,508	66,233
	4,216,229	3,780,171
Valuation allowance	(4,216,229)	(3,780,171)
Future Income Tax Assets, Net	**$ -**	**$ -**

The Company has recorded a valuation allowance against its future income tax assets as it is not more likely than not that they will be recoverable in the foreseeable future.

9. 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:

	2011 $	%	2010 $	%
Canada	1,130,092	19%	622,799	15%
Mexico	3,150,009	53%	2,281,879	56%
USA	1,685,296	28%	1,199,385	29%
	5,965,397	**100%**	**4,104,063**	**100%**

10. Supplemental Cash Flow Information

		2011		2010
Cash items				
Interest received	$	5,382	$	651
Income tax paid	$	-	$	-
Interest paid	$	-	$	-
Non-cash items				
Investing activities				
Mineral property costs included in accounts payable	$	149,331	$	16,251
Mineral property costs included in due to related parties	$	11,689	$	2,770
Stock-based compensation included in mineral properties	$	65,769	$	75,000
Financing activities				
Shares issued for mineral property	$	5,000	$	10,250
Share issuance costs	$	119,912	$	52,548
Fair value of stock options exercised	$	79,110	$	-
Fair value of warrants exercised	$	7,092	$	63,637

11. 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.

11. Contingencies and Commitments, continued

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 fee commitment for the next two years is as follows:

Year Ending April 30,	Commitment $
2012	96,000
2013	16,000

12. Subsequent Events

The following events occurred subsequent to April 30, 2011:

(a) Equity Financing

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 finder's 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), 72,000 finder's warrants with an exercise price of $0.22 per share expiring on July 20, 2013, and incurred cash finder's fees of $127,344.

(b) Stock Options

Pursuant to the Company stock option plan (Note 7 (c)), 350,000 stock options with an exercise price of $0.88 expired unexercised on June 1, 2011.

(c) Mineral Property Option Payment

Pursuant to the Cerro Las Minitas property agreement (Note 5(a)(iii)) the Company paid $300,000 to a private vendor on May 17, 2011.

(d) Mineral Property Option Issuance

Pursuant to the Minas de Ameca property agreement (Note 5(b)(vii)) the Company issued 250,000 common shares to Fury Exploration Ltd. with respect to the Magistral I property on July 21, 2011.