Audited Consolidated Financial Statements

April 30, 2009 and 2008

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Southern Silver Exploration Corp
1100 – 1199 West Hastings Street
Vancouver, B.C. V6E 3T5

Tel: 604.684.9384
Fax: 604.688.4670
www.southernsilverexploration.com

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"	*"Mahesh Liyanage"*
Lawrence Page, Q.C. President and Chief Executive Officer	Mahesh Liyanage, CA Chief Financial Officer

Vancouver, British Columbia
July 21, 2009

SmytheRatcliffe
CHARTERED ACCOUNTANTS

Auditors' Report
To the Shareholders of Southern Silver Exploration Corp.

We have audited the consolidated balance sheets of Southern Silver Exploration Corp. as at April 30, 2009 and 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
July 21, 2009

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

Tel: 604 687 1231
Fax: 604 688 4675
smytheratcliffe.com

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

			2009		2008
Assets					
Current					
Cash		$	449,203	$	2,575,224
Receivables			21,696		148,998
Prepaids			35,821		237,369
			506,720		**2,961,591**
Equipment	Note 5		-		13,564
Mineral properties	Note 6		3,277,042		5,988,026
Reclamation bonds	Notes 6 (a),(c),(d),(e)		65,241		68,307
		$	**3,849,003**	**$**	**9,031,488**
Liabilities					
Current					
Accounts payable and accrued liabilities		$	50,310	$	296,727
Due to related parties	Note 7		2,465		51,757
			52,775		**348,484**
Shareholders' Equity					
Share capital	Note 8		19,000,984		18,981,258
Contributed surplus	Note 8 (a)		2,702,685		2,692,687
Deficit			(17,907,441)		(12,990,941)
			3,796,228		**8,683,004**
		$	**3,849,003**	**$**	**9,031,488**

Nature of operations and going concern (Note 1)

Contingencies and commitments (Note 12)

Subsequent events (Note 13)

Approved on behalf of the Board “*<u>Lawrence Page</u>*” “*<u>Nazlin Rahemtulla</u>*”

Lawrence Page, Q.C. **Nazlin Rahemtulla**

See notes to consolidated financial statements

Southern Silver Exploration Corp.
(Exploration Stage Company)
Consolidated Statements of Operations and Deficit for the years ended April 30,

		2009	2008
Expenses			
Administration		$ 96,000	$ 108,000
Amortization		13,564	11,287
Consulting			
Services		275,413	264,819
Stock-based compensation	Note 8 (g)	9,998	66,066
Independent directors' fees			
Services		37,500	40,125
Stock-based compensation	Note 8 (g)	-	36,634
Investor relations		135,050	194,715
Office and general		103,821	111,899
Professional fees		211,565	181,285
Regulatory fees and taxes		17,645	15,803
Shareholders' communications		6,765	19,208
Transfer agent		15,320	12,701
Travel and promotion		38,319	116,597
Wages and benefits			
Stock-based compensation	Note 8 (g)	-	66,623
		960,960	**1,245,762**
Other Items			
Interest income		(68,465)	(181,335)
Foreign exchange (gain) loss		(214,609)	488,262
General exploration		108,492	26,110
Write-off of mineral properties		4,130,122	158,313
		3,955,540	**491,350**
Net Loss and Comprehensive Loss for Year		**4,916,500**	**1,737,112**
Deficit, Beginning of Year		12,990,941	11,253,829
Deficit, End of Year		**$ 17,907,441**	**$ 12,990,941**
Loss per share - basic and diluted		$ 0.11	$ 0.04
Weighted average number of common shares outstanding		42,765,690	41,464,382

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

Cash provided by (used for):		**2009**		**2008**
Net loss for the year	$	(4,916,500)	$	(1,737,112)
Items not involving cash:				
Amortization		13,564		11,287
Stock-based compensation		9,998		169,323
Foreign exchange (loss) gain		(22,275)		209,568
Write-off of mineral properties		4,130,122		158,313
		(785,091)		(1,188,621)
Changes in Non-Cash Working Capital				
Receivables		127,302		(64,425)
Prepaids		201,548		(148,237)
Accounts payable and accrued liabilities		(14,924)		9,110
Due to related parties		(49,292)		39,508
		264,634		(164,044)
Cash Used in Operating Activities		(520,457)		(1,352,665)
Investing Activities				
Expenditures on equipment		-		(24,851)
Expenditures on mineral properties		(1,630,905)		(2,866,976)
Reclamation bonds		(252)		(7,523)
Cash Used in Investing Activities		(1,631,157)		(2,899,350)
Financing Activity				
Proceeds from issuance of shares, net of share issue costs		-		771,750
Foreign Exchange Effect on Cash		25,593		(206,256)
Decrease in Cash During the Year		(2,126,021)		(3,686,521)
Cash , Beginning of Year		2,575,224		6,261,745
Cash , End of Year	$	449,203	$	2,575,224

Supplemental cash flow information (Note 11)

1. Nature of Operations and Going Concern

Southern Silver Exploration Corp. (the "Company") is an exploration stage enterprise incorporated under the laws of British Columbia. 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 were 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, 2009, the Company had working capital of $453,945 (2008 - $2,613,107).

The Company does not hold any revenue generating properties and thereby continues to incur losses. The Company has an accumulated deficit of $17,907,441 as at April 30, 2009 (2008 - $12,990,941).

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 consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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, 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. and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands.

All intercompany accounts and transactions were eliminated upon consolidation.

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

2. Summary of Significant Accounting Policies, continued

(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.

(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

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) Equipment

Equipment and software are carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the assets using the straight-line method at an annual rate of 45% for computers and equipment and 100% for software, except in the period of acquisition when one-half of the annual rate is used.

(f) Share Capital

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.

(g) 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.

(h) 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.

2. Summary of Significant Accounting Policies, continued

(i) 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.

(j) Financial Instruments

Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

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.

(k) 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, receivables, accrued liabilities, the impairment and resulting carrying value of mineral properties, determination of the valuation allowance for future tax assets, amortization rate of equipment 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.

(l) 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

(m) Asset Retirement Obligations ("ARO")

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.

(n) Accounting Changes

Effective May 1, 2008, the Company adopted the following amended and new Canadian Institute of Chartered Accountants' ("CICA") accounting pronouncements on a prospective basis:

- Section 1400 (amended), "General Standards of Financial Statement Disclosure";
- Section 1535, "Capital Disclosures";
- Section 3862, "Financial Instruments – Disclosure"; and
- Section 3863, "Financial Instruments – Presentation".

The amendments to Section 1400 were in connection with the requirement to assess and disclose an entity's ability to continue as a going concern. There was no effect on the Company's financial statement disclosure, or on its financial position or results of operations.

Section 1535 requires a company to disclose information that enables users of its financial statements to evaluate the company's objectives, policies and procedures for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance, as disclosed in Note 4.

Section 3862, "Financial Instruments – Disclosure", and Section 3863, "Financial Instruments – Presentation", replace the existing Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Management's objectives and procedures for managing such risks are disclosed in Note 3.

2. Summary of Significant Accounting Policies, continued

(o) Future Accounting Changes

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

In February 2008, the CICA Accounting Standards Board ("AcSB") 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 unaudited interim consolidated financial statements for the three months ended July 31, 2011, which must include restated interim results for the prior 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 is currently evaluating the future impact of IFRS on its consolidated financial statements.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interest". 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 interim and annual consolidated financial statements relating to fiscal years beginning on January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

(iii) Goodwill

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new section is effective for the Company on May 1, 2009. The Company is in the process of assessing the impact of this new section on its consolidated financial statements.

3. Financial Instruments

The carrying value of financial assets by category at April 30, 2009 and 2008 are as follows:

	2009		2008	
Financial Assets	**Held-for-trading**	**Loans and Receivables**	**Held-for-trading**	**Loans and Receivables**
Cash	$ 449,203	$ -	$ 2,575,224	$ -
Reclamation bonds	-	65,241	-	68,307
	$ 449,203	$ 65,241	$ 2,575,224	$ 68,307

The carrying value of financial liabilities by category at April 30, 2009 and 2008 are as follows:

	2009	2008
Financial Liabilities	**Other Financial Liabilities**	**Other Financial Liabilities**
Accounts payable and accrued liabilities	$ 50,310	$ 296,727
Due to related parties	2,465	51,757
	$ 52,775	$ 348,484

Fair Value

The carrying values of cash, reclamation bonds, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short term to maturity.

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 and the Company has no exposure to asset-backed commercial paper.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. 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 and cash equivalents to meet the Company's business requirements. However, at April 30, 2009 the cash balance of $449,203 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 2009/2010. At April 30, 2009, the Company had accounts payable and accrued liabilities of $50,310 (2008 - $296,727) and amounts due to related parties of $2,465 (2008 - $51,757), 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, 2009.

(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 risks through hedging or other currency management tools.

As at April 30, 2009, the Company has financial instruments denominated in foreign currencies as below and is exposed to currency risk as follows:

		US	Peso
Cash	$	316,217	321,771
Bonds		17,737	510,000
Accounts payable and accrued liabilities		(16,037)	(76,704)
	$	317,917	755,067

Based on the above, assuming all other variables remain constant, a 10% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of $38,000 in the Company's deficit, or a corresponding change in the Mexico peso would result in an increase/decrease of $6,500 in the Company's deficit.

(iii) Other Price Risk

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

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.

5. Equipment

	Cost $	Accumulated Amortization $	2009 Net Book Value $	2008 Net Book Value $
Equipment	2,900	2,900	-	2,255
Computers	1,305	1,305	-	861
Software	20,646	20,646	-	10,448
	24,851	**24,851**	**-**	**13,564**

6. Mineral Properties

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

- **Mexico**
  (i) Jalisco - Minas de Ameca
    a. Magistral properties, which include Magistral I and EI Magistral
    b. Quila property
    c. Altavista
    d. La Sorpresa property (relinquished the rights to the property during the year)

  (ii) Chihuahua – Pinabete property

6. Mineral Properties, continued

- **USA**
  - (i) Arizona
    - a. Tombstone (relinquished the rights to the property during the year)
    - b. Dragoon properties
  - (ii) New Mexico – Oro property

Deferred mineral property costs by property for the year ended April 30, 2009 are as follows:

Mineral Properties	**Minas de Ameca** $	**Pinabete** $	**Tombstone** $	**Oro** $	**Dragoon** $	**Total** $
Acquisition						
Balance as at April 30, 2008	501,693	181,691	189,983	180,682	34,458	1,088,507
Additions during the year	87,034	15,156	115,819	139,614	34,437	392,060
Write-offs during the year	(246,920)	-	(305,802)	-	-	(552,722)
Balance as at April 30, 2009	**341,807**	**196,847**	**-**	**320,296**	**68,895**	**927,845**
Exploration						
Balance as at April 30, 2008	2,735,693	915,131	1,118,382	96,846	33,467	4,899,519
Additions during the year:						
Assays and Geochemistry	29,968	1,820	1,398	3,898	-	37,084
Camp, Utilities and Supplies	22,521	393	17,556	5,819	458	46,747
Drilling Services	172,035	65,079	174,514	-	-	411,628
Equipment/Rentals/Supplies	36,184	673	28,835	3,089	135	68,916
Geological and Geophysics	90,659	979	100,526	73,194	11,571	276,929
General Exploration	29,263	781	9,470	2,283	124	41,921
Project Supervision	102,325	5,754	3,217	274	359	111,929
Project Support	16,528	226	-	-	-	16,754
Travel	11,358	120	958	2,157	577	15,170
			-	-	-	-
Total additions during the year	510,841	75,825	336,474	90,714	13,224	1,027,078
Write-offs during the year	(1,131,588)	(990,956)	(1,454,856)	-	-	(3,577,400)
Balance as at April 30, 2009	**2,114,946**	**-**	**-**	**187,560**	**46,691**	**2,349,197**
Total mineral properties expenditures as at April 30, 2009	**2,456,753**	**196,847**	**-**	**507,856**	**115,586**	**3,277,042**

6. Mineral Properties, continued

Deferred mineral property costs, by property for the year ended April 30, 2008, are as follows:

Mineral Properties	**Minas de Ameca**	**Pinabete**	**Cristoforos**	**Tombstone**	**Oro**	**Dragoon**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
	Note 2 (a)						
Acquisition costs							
Balance as at April 30, 2007	254,104	153,951	73,213	117,695	45,966	-	644,929
Additions during the year	247,589	27,740	80,325	72,288	134,716	34,458	597,116
Write-off during the year	-	-	(153,538)	-	-	-	(153,538)
Balance as at April 30, 2008	**501,693**	**181,691**	**-**	**189,983**	**180,682**	**34,458**	**1,088,507**
Exploration							
Balance as at April 30, 2007	1,391,552	788,488	1,731	115,359	53,015	-	2,350,145
Additions during the year:							
Assays & Geochemistry	47,862	2,942	-	22,428	4,147	-	77,379
Camp, Utilities and Supplies	24,275	2,445	-	47,052	2,559	863	77,194
Drilling Services	682,753	87,309	-	467,954	-	-	1,238,016
Equipment/Rentals/Supplies	113,547	13,404	-	67,145	3,466	632	198,194
Geological and Geophysics	233,118	323	3,044	345,034	30,403	26,352	638,274
General Exploration	44,032	15	-	12,366	301	948	57,662
Project Supervision	128,305	16,066	-	17,243	2,450	2,840	166,904
Repair and maintenance	-	-	-	-	-	-	-
Project Support	54,702	4,139	-	470	504	1,395	61,210
Travel	15,548	-	-	14,384	-	437	30,369
Environmental	-	-	-	8,947	-	-	8,947
Total additions during the year	1,344,142	126,643	3,044	1,003,023	43,830	33,467	2,554,149
Write-off during the year	-	-	(4,775)	-	-	-	(4,775)
Balance as at April 30, 2008	**2,735,694**	**915,131**	**-**	**1,118,382**	**96,845**	**33,467**	**4,899,519**
Total mineral properties expenditures as at April 30, 2008	**3,237,387**	**1,096,822**	**-**	**1,308,365**	**277,527**	**67,925**	**5,988,026**

Terms of the agreements for these properties are described below.

(a) Minas de Ameca – Mexico

Magistral Property

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. ("Fury"), the Company entered into an option to acquire a 65% interest in the Magistral I mining exploration concession ("Magistral").

6. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Pursuant to the agreement with Fury, 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 (incurred) (Note 13(a));
(v) Issue 50,000 common shares and incur in the aggregate a minimum of US $1,800,000 in exploration expenditures on or before July 21, 2010; and
(vi) Issue 250,000 common shares and incur in the aggregate a minimum of US $3,000,000 in exploration expenditures on or before July 21, 2011.

Upon earning its interest, the Company shall 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, the 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 has agreed to purchase the 1,366 hectare mineral concession by the payment of $15,600 (Mexican peso 150,000) over a 24month period (paid) 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 $36,950 (Mexican peso 510,000 in regard to the 1% NSR royalty) is being held in escrow by the Mexican government as security for future reclamation costs on Magistral, and is refundable upon completion of the exploration and reclamation program on the properties.

6. Mineral Properties, continued

(a) Minas de Ameca – Mexico, continued

Quila Property

Pursuant to an agreement dated January 19, 2007 with Soltoro Ltd., the Company entered into an option to acquire a 70% interest in the Quila Claims, Jalisco, Mexico.

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

(i) Issue 50,000 common shares on or before February 1, 2007 (issued);
(ii) Issue 75,000 common shares and incur in the aggregate a minimum of US $150,000 exploration in expenditures on or before January 19, 2008 (issued and incurred);
(iii) Issue 75,000 common shares and incur in the aggregate a minimum of US $500,000 in exploration expenditures on or before January 19, 2009 (issued and incurred);
(iv) Issue 100,000 common shares and incur in the aggregate a minimum of US $1,000,000 in exploration expenditures on or before January 19, 2010;
(v) Issue 100,000 common shares and incur in the aggregate a minimum of US $1,900,000 in exploration expenditures on or before January 19, 2011; and
(vi) Issue 100,000 common shares and incur in the aggregate a minimum of US $3,000,000 in exploration expenditures on or before January 19, 2012.

Altavista de Ramos Property

Pursuant to an agreement dated July 5, 2007 with Porfirio Prieto Torres and Juan Amilcar Flores Reynaga, the Company entered into an option to acquire a 100% interest in the Altavisa Claims, Jalisco, Mexico.

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

(i) US $ 20,000 upon signing of the contract (paid);
(ii) US $ 20,000 on or before July 5, 2008 (paid);
(iii) US $ 20,000 on or before July 5, 2009;
(iv) US $ 40,000 on or before July 5, 2010;
(v) US $ 100,000 on or before July 5, 2011.

La Sorpresa Property

On October 18, 2005, the Company signed a letter of intent to enter into an option to acquire a 100% interest in the project, comprising four mining concessions located approximately 80 kilometres from Guadalajara City.

During the year ended April 30, 2009, the Company relinquished its right to the property and, accordingly, $1,378,510 (acquisition costs of $246,920 and $1,131,590 in exploration cost) was written off and included in the statements of operations and deficit.

6. Mineral Properties, continued

(b) Pinabete Property - Mexico

Pursuant to an agreement dated August 16, 2004 and incorporated into an option agreement dated April 6, 2005, 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 located in southern Chihuahua, Mexico ("Pinabete").

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);
(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, 2008 (amended February 25, 2009).

If the Company meets the terms and conditions and elects to exercise 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, subject to regulatory approval. The property was written down by $990,556 during the year.

6. Mineral Properties, continued

(c) Tombstone Property – Arizona, USA

Pursuant to an agreement dated May 26, 2005, the Company has an exclusive option to acquire an undivided 100% interest in certain claims located in the state of Arizona referred to as the Tombstone property.

During the year ended April 30, 2009, the Company relinquished its right to the property and, accordingly, $1,760,658 (acquisition costs of $305,802 and $1,454,856 in exploration costs) was written off and included in the statements of operations and deficit.

A non-interest-bearing reclamation bond in the amount of $10,117 (US $8,480) is held in escrow by the US Department of the Interior – Bureau of Land Management as security for future reclamation costs.

(d) Oro Property – New Mexico, USA

Pursuant to an agreement dated August 28, 2006, the Company entered into an option to acquire a 100% interest in the Oro Claims, Grant Country, New Mexico. To acquire a 100% interest in the property, 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;
(v) US $200,000 on or before August 28, 2010; and
(vi) US $300,000 on or before August 28, 2011.

If the Company meets the above terms and conditions and elects to exercise 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 pay a total of US $350,000 in the following stages:

(i) US $50,000 on 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;
(iv) US $50,000 on or before December 1, 2010;
(v) US $75,000 on or before December 1, 2011; and
(vi) US $75,000 on or before December 1, 2012.

6. Mineral Properties, continued

(d) Oro Property – New Mexico, USA. continued

A non-interest-bearing reclamation bond in the amount of $10,327 (US $8,657) is held in escrow by the US Department of the Interior – Bureau of Land Management as security for future reclamation costs.

(e) Dragoon Property – Arizona, USA

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

To acquire a 100% interest in the property, 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;
(iii) US $100,000 on or before August 28, 2010;
(iv) US $200,000 on or before August 28, 2011; and
(v) US $300,000 on or before August 28, 2012.

Upon meeting the terms and conditions and electing to exercise 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.

A non-interest-bearing reclamation bond in the amount of $716 (US $600) is held in escrow by the US Department of the Interior – Bureau of Land Management as security for future reclamation costs.

(f) 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 conveyancing 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.

6. Mineral Properties, continued

(g) Environmental

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

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

7. Related Party Balances and Transactions

The Company entered into the following related party transactions during the year ended April 30, 2009.

(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 (2008 - $108,000);
- $76,120 in respect of professional services (2008 - $76,171);
- $55,454 in respect of consulting services (2008 - $58,171);
- $34,759 in respect of investor relations services (2008 - $61,670);
- $36,854 in respect of geological consulting services in relation to mineral properties (2008 - $58,580);
- $5,247 in respect of the mark-up on out-of-pocket expenses (2008 - $12,935); and
- $33,405 in respect of administrative services (2008 - $15,075).

Amounts payable under the agreement at April 30, 2009 were $Nil (2008 - $37,599). As of April 30, 2009, prepayment of $18,333 (2008 – $8,000) was made in relation to the office space and administration services, and consulting services.

(b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged $111,600 (2008 - $104,000) for consulting services. Amount payable as at April 30, 2009 was $Nil (2008 - $9,000) and amount prepaid was $5,000 (2008 - $Nil).

(c) Fees in the amount of $46,162 (2008 - $21,803) were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at April 30, 2009 were $2,465 (2008 - $3,058).

7. Related Party Balances and Transactions

(d) Consulting fees relating to corporate development of $69,000 (2008 - $54,000) were charged by a private company controlled by a director and an officer of the Company.

(e) Consulting fees relating to office administration of $24,000 (2008 - $35,250) were charged by a private company controlled by an officer of the Company. Amount payable as at April 30, 2009 was $Nil (2008 - $2,100)

8. Share Capital

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

(a) Issued and Outstanding

The issued common shares are as follows:

	No. of Shares	Amount	Contributed Surplus
Balance as at April 30, 2007	39,951,821	$ 18,142,008	$ 2,508,132
Issued			
Exercised share purchase warrants	2,572,500	771,750	-
To acquire mineral properties	175,000	67,500	-
Stock-based compensation	-	-	184,555
Balance as at April 30, 2008	42,699,321	18,981,258	2,692,687
Issued			
To acquire mineral properties	175,000	20,375	-
Stock-based compensation	-	-	9,998
	42,874,321	19,001,633	2,702,685
Share issue costs	-	649	-
Balance as at April 30, 2009	**42,874,321**	**$ 19,000,984**	**$ 2,702,685**

8. Share Capital, continued

(b) Private Placements

No private placements were announced or completed by the Company during the years ended April 30, 2009 and 2008.

(c) Shares Issued for Mineral Properties

During the year ended April 30, 2009, the Company issued 175,000 (2008 – 175,000) common shares valued at $20,375 (2008 – $67,500).

(i) 50,000 common shares at a fair value of $0.22 per share, $10,750 in total, pursuant to an option to acquire a 65% interest in the Magistral I, Mexican mining exploration concession (Note 6 (a)) (2008 – 50,000 common shares at $0.60 per share).

(ii) 75,000 common shares at a fair value of $0.08 per share, $5,625 in total, pursuant to an option agreement to acquire a 70% undivided interest in the Quila property, Mexico (Note 6 (a)) (2008 – 75,000 common shares at $0.30 per share).

(iii) 50,000 common shares at a fair value of $0.08 per share, $4,000 in total, pursuant to an option agreement to acquire a 100% undivided interest in the Pinabete property, Mexico (Note 6 (b)) (2008 – 50,000 common shares at $0.30 per share).

d) Stock Options

As at April 30, 2009 and 2008, 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 12 months with no more than one-quarter of such options so granted vesting in any three-month period, the Board of Directors shall have complete discretion to set the terms of any vesting schedule at the date of grant. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

As at April 30, 2009, 4,132,500 options were outstanding and exercisable. As at April 30, 2008, 4,217,500 of the 4,267,500 options outstanding were exercisable with the remaining 50,000 vesting in 2009.

8. Share Capital, continued

(d) Stock Options, continued

Exercise Price	Fair Value	Expiry Date	Balance April 30, 2008	Granted	Cancelled or Expired	Balance April 30, 2009
$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	435,000	-	20,000	415,000
$0.83	$0.64	January 16, 2011	205,000	-	15,000	190,000
$0.82	$0.72	March 27, 2011	125,000	-	-	125,000
$0.88	$0.80	June 1, 2011	460,000	-	-	460,000
$0.58	$0.54	March 1, 2012	1,235,000	-	25,000	1,210,000
$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	625,000	-	75,000	550,000
			4,267,500	**-**	**135,000**	**4,132,500**
Weighted average exercise price			$0.57	-	$0.39	$0.58
Weighted average contractual life (in years)						2.18

Exercise Price	Fair Value	Expiry Date	Balance April 30, 2007	Granted	Cancelled or Expired	Balance April 30, 2008
$0.65	$0.34	December 10, 2009	927,500	-	100,000	827,500
$0.30	$0.27	October 13, 2010	215,000	-	10,000	205,000
$0.51	$0.43	November 8, 2010	450,000	-	15,000	435,000
$0.83	$0.64	January 16, 2011	230,000	-	25,000	205,000
$0.82	$0.72	March 27, 2011	125,000	-	-	125,000
$0.88	$0.80	June 1, 2011	550,000	-	90,000	460,000
$0.58	$0.54	March 1, 2012	1,300,000	-	65,000	1,235,000
$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	-	625,000	-	625,000
			3,897,500	**675,000**	**305,000**	**4,267,500**
Weighted average exercise price			$0.64	$0.24	$0.70	$0.57
Weighted average contractual life (in years)						3.21

8. Share Capital, continued

(e) Share Purchase Warrants

The Company's share purchase warrants for the years ended April 30, 2009 and 2008 are summarized as follows:

Exercise Price	Expiry Date	Balance April 30, 2008	Cancelled or Expired	Exercised	Balance April 30, 2009
$0.60	February 24, 2010	6,500,000	-	-	6,500,000
$0.60	February 24, 2009	164,700	164,700	-	-
		6,664,700	**164,700**	**-**	**6,500,000**
Weighted average exercise price		$0.60	$0.60	-	$0.60
Weighted average remaining contractual life (in years)					0.82

On December 10, 2008 the Company extended the expiry date of 6,500,000 share purchase warrants from February 24, 2009 to February 24, 2010 (exercise price $0.60). These warrants were issued pursuant to a private placement of 13,000,000with 6,500,000 share purchase warrants attached, which closed on February 23, 2007. The extension of the share purchase warrants resulted in $Nil addition to stock-based compensation expense.

Exercise Price	Expiry Date	Balance April 30, 2007	Cancelled or Expired	Exercised	Balance April 30, 2008
$0.30	October 31, 2007	2,480,000	-	2,480,000	-
$0.30	October 31, 2007	92,500	-	92,500	-
$1.00	April 7, 2008	600,000	600,000	-	-
$0.60	February 24, 2009	6,500,000	-	-	6,500,000
$0.60	February 24, 2009	164,700	-	-	164,700
		9,837,200	**600,000**	**2,572,500**	**6,664,700**
Weighted average exercise price		$0.55	$1.00	$0.30	$0.60
Weighted average remaining contractual life (in years)					0.82

8. Share Capital, continued

(f) Agent Options

No agent options were granted, exercised, cancelled or expired during the years ended April 30, 2009 and 2008 other than 645,000 agents warrants expired on February 24, 2009 as described below.

As part of the private placement in February 2007, options were granted to the agents. Each agent option when exercised entitled the agent to one common share and one-half of one share purchase warrant exercisable at $0.60 to February 24, 2009.

Exercise Price	Expiry Date	Balance April 30, 2008	Granted	Cancelled or Expired	Exercised	Balance April 30, 2009
$0.50	February 24, 2009	645,000	-	645,000	-	-

(g) Fair Value Determination

The fair value of stock options granted using the Black-Scholes option pricing model was calculated using the following weighted average assumptions:

	2009		2008	
	Options	Warrants	Options	Warrants
Risk-free interest rate	N/A	1.21%	2.86%	N/A
Expected share price volatility	N/A	89.51%	171.01%	N/A
Expected option/warrant life in years	N/A	1.2	5.0	N/A
Expected dividend yield	N/A	0%	0%	N/A

The total calculated fair value of stock-based compensation for the year ended April 30, 2009 was included in the statements of operations and balance sheets as follows:

	2009	2008
Consulting	$ 9,998	$ 66,066
Independent directors' fees	-	36,634
Wages and benefits	-	66,623
Mineral properties	-	15,232
Total	**$ 9,998**	**$ 184,555**

The stock-based compensation expense for consulting in 2009 was due to options granted in 2008 and vesting in 2009.

9. 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
2010	$	125,000
2014		138,000
2015		541,000
2016		1,292,000
2017		1,384,000
2018		1,930,000
2019		735,000
2026		830,000
2027		1,206,000
2028		1,148,000
2029		761,600
	$	10,090,600

The tax losses above include approximately $5,472,000 that may be applied against future taxable income in Mexico, which expire in stages over a 10-year periods; and tax losses of approximately $7,600 that may be applied against future taxable income in the US over a 20-year period.

The future benefits of these losses and deductions have not been recorded in the accounts. A reconciliation of income tax provision computed at statutory rates to the reported income tax provision is provided as follows:

		2009		2008
				Note 2 (a)
Income tax benefit computed at Canadian statutory rates	$	1,497,864	$	590,634
Permanent differences				
Stock-based compensation		(3,050)		(56,361)
Other permanent differences		(10,715)		(1,818)
Temporary differences				
Share issue costs		18,428		20,603
Write-off of mineral properties		(1,259,688)		(53,958)
Mineral properties additions expensed		210,101		623,853
Other temporary differences		3,669		(73,962)
Differences due to tax rates of other countries		(18,320)		(117,736)
Change resulting from timing differences		1,056,210		(517,104)
Change in valuation allowance		(1,328,574)		(10,453)
Change resulting from tax rate reduction		(165,925)		(403,698)
	$	-	$	-

9. Income Taxes, continued

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

		2009		2008
				Note 2 (a)
		28%		28%
Future income tax assets				
Tax value over (under) book value of mineral properties	$	527,491	$	(490,020)
Net tax losses carried forward		2,733,601		2,406,680
Tax value over book value of assets		7,563		4,153
Share issue costs		30,568		49,837
		3,299,223		1,970,650
Valuation allowance		(3,299,223)		(1,970,650)
Future income tax assets, net	**$**	**-**	**$**	**-**

The enacted corporate tax rates used to estimate future income tax assets are blended Canadian, US and Mexico estimated future rates of 26%, 34% and 28% (2008 – 28%, 34%, 28%), respectively.

10. Segmented Information

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

		2009		2008
	$	**%**	**$**	**%**
Canada	383,053	10%	2,766,151	31%
Mexico	2,821,348	73%	4,601,327	51%
USA	644,602	17%	1,664,010	18%
	3,849,003	100%	9,031,488	100%

11. Supplemental Cash Flow Information

Income tax paid	$	-	$	-
Interest paid	$	-	$	-
Non-Cash Items				
Investing Activities				
Mineral property costs included in accounts payable	$	16,737	$	248,230
Mineral property costs included in due to related parties	$	-	$	3,240
Stock-based compensation included in mineral properties	$	-	$	15,232
Financing Activities				
Shares issued for mineral property	$	20,375	$	67,500

12. Contingencies and Commitments

Certain claims have been filed against the Company.

(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 instigated 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 fee commitment for the next four years is as follows:

Year ending April 30,	Commitment $
2010	96,000
2011	96,000
2012	96,000
2013	16,000

13. Subsequent Events

(a) Mineral Properties

Pursuant to an agreement dated July 4, 2006 with Fury, the Company issued 50,000 common shares on July 21, 2009 (Note 6 (a) (iv)).

(b) Stock Options

Pursuant to the Company stock option plan (Note 8 (d)), 15,000 options issued with an exercise price of $0.58 and expiry date of March 1, 2012 were cancelled.

(c) Share Purchase Warrants

The Company amended the exercise price of its 6,500,000 outstanding warrants from $0.60 per share to $0.10 per share as at May 6, 2009 with a forced exercise provision of 30 days to exercise if the closing trading price of the Company's common shares is $0.135 or greater for a period of 10 consecutive trading days.

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

Management's Discussion and Analysis

In respect of the twelve months ended April 30, 2009

Dated: August 18, 2009

Index Page

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial condition of Southern Silver Exploration Corp., formerly known as Newcoast Silver Mines Ltd., (the "Company") compares results for the twelve months ended April 30, 2009 to the same period in the previous year. These statements should be read in conjunction with the audited consolidated financial statements for the twelve months ended April 30, 2009. All notes referenced herein may be found in the audited consolidated financial statements for the twelve months ended April 30, 2009.

The Company's financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles ('GAAP") and include the accounts of the Company and its wholly owned subsidiaries Minera Plata Del Sur SA De SV (Mexico), Southern Silver Exploration (US) Corp. (USA), and Southern Silver Holdings Ltd. (British Virgin Islands). This MD&A, dated August 18, 2009, was prepared to conform with National Instrument 51-102 F1 and was approved by the Board of Directors prior to its release.

The Company is a reporting issuer in British Columbia and Alberta and its shares trade on the Tier 2 Board of the TSX Venture Exchange ("TSX") under the symbol SSV.

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

Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. These are subject to significant risks and uncertainties that may cause actual results or events to differ materially from projected results or events.

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available on the Company's website at www.southernsilverexploration.com and on SEDAR at www.sedar.com.

B. Qualified Person

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 *Standards for Disclosure for Mineral Properties ("NI 43-101")* responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of B.C. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

B. Qualified Person, continued

Adrian Robles Salazar and Dr. Linus Keating, two highly regarded geologists with specialized experience in Mexico and Arizona, respectively, provide consulting services to the Company. Mr. Robles has extensive experience with Mexican projects that was gained through his association with Minera Kennecott S.A. de C.V. and Western Silver Corporation. Dr. Keating is an accomplished exploration geologist with many years of international experience, including 14 years with Rio Tinto (Kennecott), supervising work on porphyry and precious metals projects in Arizona. He has a B.Sc. in Geological Engineering from the University of Arizona, and a Doctorate of Science in Geology from the University of Brussels, Belgium.

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

Canadian Dollars per US Dollar (1)

	Year ended	
	April 30 2009	**April 30 2008**
Rate at end of period	1.1930	1.0072
Average rate for period	1.2442	1.0053
High for period	1.2991	1.0265
Low for period	1.1930	0.9705

Conversion Table (2)

Imperial	Metric	
1 Acre	0.404686	Hectares
1 Foot	0.304800	Meters
1 Mile	1.609344	Kilometres
1 Ton	0.907185	Tonnes
1 Ounce (troy)/ton	34.285700	Grams/Tonne

C. Exchange Information and Conversion Tables, continued

Precious metal units and conversion factors [2]								
ppb	- Part per billion	1	ppb	0.0010	ppm	=	0.000030	oz/t
ppm	- Part per million	100	ppb	0.1000	ppm	=	0.002920	oz/t
oz	- Ounce (troy)	10,000	ppb	10.0000	ppm	=	0.291670	oz/t
oz/t	- Ounce per ton (avdp.)	1	ppm	1.0000	ug/g	=	1.000000	g/tonne
g	- Gram							
g/tonne	- gram per metric ton	1	oz/t	34.2857	ppm			
mg	- milligram	1	Carat	41.6660	mg/g			
kg	- kilogram	1	ton (avdp.)	907.1848	kg			
ug	- microgram	1	oz (troy)	31.1035	g			

(1) www.bankofcanada.ca
(2) Information from www.onlineconversion.com

D. Description of Business

The Company acquires and explores mineral properties in North America. It is currently exploring for precious and base metals in Mexico (Jalisco and Chihuahua) and the USA (Arizona and New Mexico).

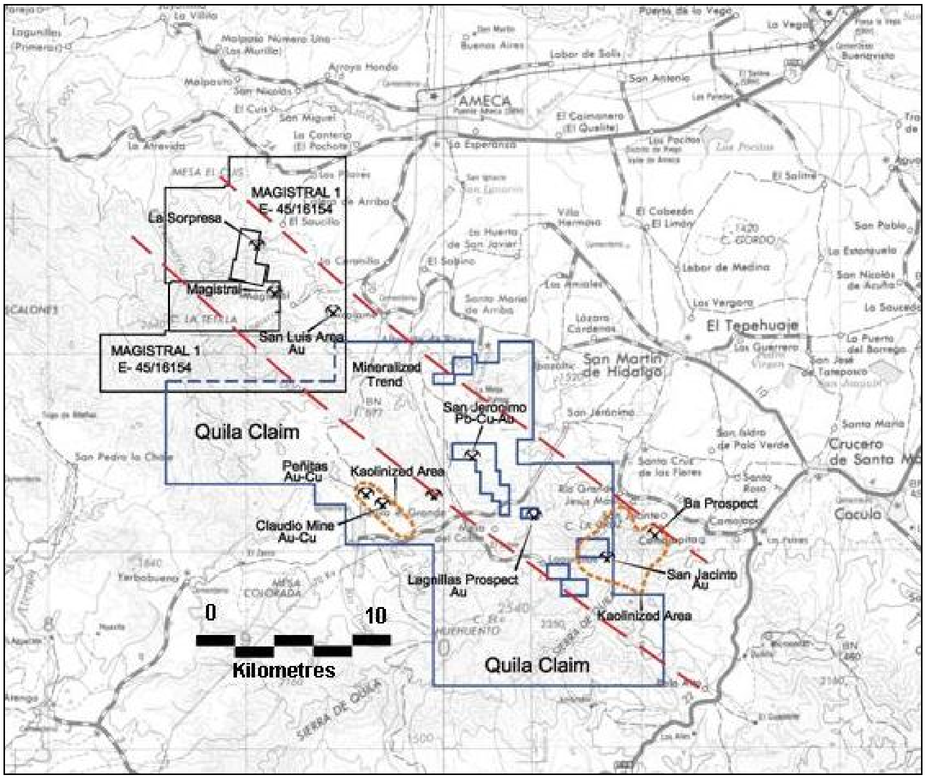
E. Description of Mineral Properties

i) Minas de Ameca Project - Jalisco, Mexico

The **Minas de Ameca project** encompasses a 320 sq. km claim package assembled in part through option agreements between the Company and Fury Explorations Ltd. now merged with Golden Predator Mines Inc. and Soltoro Ltd. together with the purchase from the Mexican Government of the El Magistral claim which includes an historic producing mine from which copper was extracted, with some gold credits, from chalcopyrite, bornite and oxide ores. The concessions that make up the project include the Magistral I claims, the El Magistral claims and the Quila claims. The LaSorpresa concession, which was previously form part of the project was relinquished during the quarter ending October 31, 2008.

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued



The district is located along the western margin of the Sierra Madre Occidental terrane. Geological reconnaissance has identified several strongly mineralized, copper-rich breccias located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems which occur along a 25 km long mineralized trend extending southeast through the project area.

<u>Magistral I</u>

Pursuant to an agreement dated July 4, 2006 with Fury Explorations Ltd. ("Fury"), the Company has an option to acquire a 65% interest in the property (see Note 6 (a) to the audited consolidated financial statements dated April 30, 2009).

The Magistral I property is accessible via a series of gravel roads from the town of Ameca (population 50,000), which is located 80 kilometers southwest of Guadalajara.

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco, Mexico, continued

Magistral I, continued

Since acquisition, the Company has initiated a systematic program of target generation and evaluation, which utilizes newly available reprocessed airborne geophysical and satellite data, ground geophysics and systematic mapping and sampling of the newly defined target areas. The initial target generated from this work is the San Luis – Cerro de la Cruz vein systems, which was tested in 2007 and 2008.

Results from the first phase include **an 8.0 metre interval of 1.05 g/t Au and 0.49% Cu within a 30 metre interval grading 0.39 g/t Au and 0.17% Cu.** The second hole reported a **6.85 metre interval of 1.05 g/t Au, 15.7 g/t Ag and 0.55% Cu** within a longer, **14.5 metre interval,** that carried **0.62 g/t Au, 8.78 g/t Ag and 0.31% Cu.** Estimated true thicknesses have not been calculated for these intervals, however, the mineralized zone is believed to be steeply dipping.

A total of 4,832 metres of drilling was completed in 20 drill holes over two phases of drilling on the San Luis vein system and adjacent targets. Seventeen drill holes had tested an 800 metre strike length of the main **San Luis** vein structure and to depths of up to 200 metres. A single drill hole tested the **Cerrito de la Cruz** vein system (07SL-15), located 400 metres to the north of the San Luis vein. Two additional drill holes tested a northeast-trending EM anomaly immediately adjacent to the San Luis vein and a large magnetic anomaly associated with a +1g/t gold surface grab sample located about 1,000 metres to the north of the San Luis vein.

Most recently, 25 line-kilometers of detailed gradient IP geophysics was been completed over portions of the San Luis vein system. The survey showed some correlation between chargeability anomalies and Cu- and Au-enriched drill hole intercepts. Several untested chargeability highs occur to the north of previously tested veins and may represent additional veins within the mineralizing system. Shallow drill testing of these targets is anticipated during the 2009 exploration season.

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Magistral Property – Jalisco, Mexico, continued

Magistral I, continued

Significant assays from the 2007-08 drilling program include:

Drill Hole Number	Collar Data AZ Deg	Dip Deg	Depth m	From m	To m	Interval m	Est. True Thcknss m	Au g/t	Ag g/t	Cu %
07SL-03	180	-71	237.00	179.50	199.20	19.70	9.60	1.01	11.20	0.95
Includes				**195.85**	**199.20**	**3.35**	**1.92**	**5.07**	**49.81**	**4.32**
				214.10	216.90	2.80	1.61	1.33	9.20	0.84
07SL-04**	180	-60	149.80	24.60	35.25	10.65	9.00	0.13	6.00	0.82
				65.85	69.45	3.60	2.20	0.51	10.00	1.18
				103.25	113.50	10.26	7.25	2.05	12.88	0.34
Includes				**107.80**	**110.30**	**2.50**	**1.77**	**4.58**	**30.80**	**0.65**
07SL-05**	180	-60	246.00	155.25	159.25	4.00	3.00	0.37	11.80	1.04
				174.95	196.35	21.40	15.13	1.03	12.15	0.58
Includes				**187.30**	**189.80**	**2.50**	**1.77**	**3.44**	**6.10**	**2.29**
07SL-06	0	-65	351.00	115.15	116.10	0.95	0.61	0.52	2.40	0.06
07SL-07	180	-46	299.20	247.90	250.00	2.10	1.89	0.51	13.70	0.58
07SL-08	190	-50	328.00	**258.30**	**260.40**	**2.10**	**1.82**	**1.01**	**25.79**	**1.52**
Includes				273.75	284.35	10.60	9.18	1.14	7.70	0.86
Includes				**279.80**	**282.00**	**2.20**	**1.91**	**4.14**	**11.70**	**2.40**
07SL-09	180	-55	270.00	159.00	161.20	2.20	2.20	0.60	12.92	0.75
				189.90	190.60	0.70	0.55	0.31	13.00	1.22
				202.90	207.60	4.70	3.85	0.45	5.13	0.31
07SL-11	180	-55	152.20	81.40	93.60	12.20	10.57	1.50	1.26	0.28
Includes				**86.60**	**88.60**	**2.00**	**1.73**	**5.92**	**2.60**	**0.23**
				98.00	100.00	2.00	1.73	1.96	4.20	0.31
07SL-12	180	-50	199.85	122.80	125.20	2.40	1.50	0.52	5.40	0.18
07SL-16	0	-50	198.00	57.15	59.75	2.60	2.00	1.20	2.90	0.08
07SL-17	180	-75	290.00	211.10	215.25	4.15	2.70	0.47	4.70	0.57
07SL-18	180	-61	459.00	102.95	109.80	6.85	4.00	2.02	14.00	0.84
				289.50	292.30	2.80	2.80	0.30	22.00	1.93
08SL-19	180	-74	650.00	163.05	166.60	3.55	2.50	0.12	13.00	0.86

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

<u>Magistral Property – Jalisco , Mexico, continued</u>

<u>El Magistral – Mexico</u>

On October 18, 2006, the Company announced that it was the successful bidder 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 has agreed to purchase the 1,366 hectare mineral concession by the payment of $15,600 (Mexican Peso 150,000) over a twenty-four month period to earn a 100% interest. During the fiscal year the company earned 100% interest. (see Note 6 (a) in the audited consolidated financial statements for the year ended April 30, 2009).

The El Magistral concession adjoins to the south La Sorpresa claims and in turn is bound, to the east and south by the Magistral I concession. This concession forms part of the Magistral I property subject to the terms of its options agreement.

Five core drill holes, of which three were completed to target depth, tested the Magistral Mine target for a total of 747.1 metres of drilling. Several narrow intervals of anomalous silver, copper and precious metal values were returned from three of the drill holes. Only weakly anomalous values were returned from the drilling.

<u>Quila Property – Jalisco, Mexico</u>

On January 19, 2007, the Company signed an agreement to acquire a 70% interest in the Quila Claims, Jalisco, Mexico. (see Note 6 (a) in the audited consolidated financial statements for the year ended April 30, 2009).

A single drill hole has tested the Tres Copales target within the Quila concession. Drilling intersected locally strong argillic alteration, quartz veining and variable pyrite mineralization. Assays from this drill hole returned anomalous silver values but not significant mineralized intervals.

Surface mapping and sampling through the winter of 2008 identified several new drill ready targets at the Altavista and Texcalame prospects. Gold and copper mineralization is widely distributed throughout a 20 sq kilometre area in the northern portion of the Quila claims where up to 3.8 metres of 7.12 g/t gold with strongly anomalous copper and silver values were returned from channel, chip and grab sampling.

A Phase I core drilling program started in May 2008 to follow up on the surface anomalies. To date, 1435 metres of core drilling in seven holes has been completed at the Altavista prospect. Sampling of the core is completed.

E. Description of Mineral Properties, continued

i) Minas de Ameca Project, continued

Quila Property – Jalisco, Mexico

Generally weak copper and gold anomalies were identified in drilling at both of the Altavista and Texcalame prospects as mineralization appears to be localized within sub-horizontal, manto-like bodies. Mapping and sampling in the area of these occurrences has identified several targets for further drill teasting. Recommencement of drilling in the project is anticipated in early 2010.

La Sorpresa Property – Jalisco , Mexico

During the quarter ended October 31, 2008, the Company relinquished its right to the property and, accordingly, $1,378,510 (acquisition costs of $246,920 and $1,131,590 in exploration cost) was written off and included in the statement of operations and deficit.

ii) Pinabete Property – Chihuahua, Mexico

During the quarter ended October 31, 2008, the Company decided to relinquish its right to the property. The decision to relinquish the property was mainly driven by availability of cash in the treasury and adverse market conditions prevailed for equity financing.

On February 25, 2009 Parties to the option agreement amended the option agreement to extend the exploration commitment date from December 12, 2008 to December 12, 2010 and to issue 100,000 additional common shares subject to regulatory approval.

The Company has written down the property by $990.956 during the year ended April 30, 2009. The Company is considering, further exploration of the property or to identify joint venture partnership opportunities.

iii) Tombstone Property – Arizona, USA

During the year ended April 30, 2009, the Company relinquished its right to the property and, accordingly, $1,760,658 (acquisition costs of $305,802 and $1,454,856 in exploration cost) was written off and included in the statement of operations and deficit.

E. Description of Mineral Properties, continued

iv) Oro Property – New Mexico, USA

On August 28, 2006, the Company entered into an agreement to acquire a 100% interest in the Oro Claims, a prospect in Grant County, New Mexico from Philip Sterling.

On October 26, 2007, the Company entered into an agreement to earn a 100% interest in the American Mine claims, New Mexico, USA consisting of eight patented lode-mining claims inclusive of surface rights to contiguous property. The American Mine claims are adjacent to Oro property claims and are reported under Oro property claims. (See Note 6 (d) in the audited consolidated financial statements for the year ended April 30, 2009 for further details on these agreements).

The Company has compiled available historical data, mapped the area and carried out a rock and biogeochemical sampling over a mineralized corridor largely untested by modern exploration. Geological mapping indicates the presence of a prospective northwest trending structural zone.

Grab samples of vein material and the biogeochemical survey consistently returned high values of gold, silver, copper, lead and zinc and anomalous values of manganese and antimony which are indicative of a widespread and zoned mineral system with the potential to develop both copper-gold porphyry and silver-rich, polymetallic skarn/carbonate replacement deposits.

The phase one drilling program, planned for 2009 and consisting of up to 1,500 metres is designed to test both high-grade structures below levels of historic mining and prospective Cretaceous-age stratigraphy within the mineralized corridor identified through surface mapping.

v) Dragoon Property – Arizona, USA

On August 28, 2007, the Company, through its subsidiary in the USA, signed a letter agreement to enter into an option to acquire a 100% interest in Dragoon claims, Cochise County, Arizona. (see Note 6 (d) in the audited consolidated financial statements for the year ended April 30, 2009).

F. Mineral Properties Deferred Costs

Information on all mineral property expenses by property can be found in Note 6 in the audited consolidated financial statements for the year ended April 30, 2009. The deferred mineral property costs as at April 30, 2009 were as follows:

	Balance	Additions					Total
	April 30, 2008	Q1	Q2	Q3	Q4	Year to Date	April 31, 2009
	$	$	$	$	$	$	$
Minas de Ameca	3,237,387	292,235	(1,287,014)	120,312	93,833	(780,634)	2,456,753
Pinabete	1,096,822	84,944	(1,181,766)	-	196,847	(899,975)	196,847
Tombstone	1,308,365	395,386	46,840	10,067	(1,760,658)	(1,308,365)	-
Oro	277,527	19,665	81,009	100,236	29,419	230,329	507,856
Dragoon	67,925	8,706	35,843	-	3,112	47,661	115,586
Total	**5,988,026**	**800,936**	**(2,305,088)**	**230,615**	**(1,437,447)**	**(2,710,984)**	**3,277,042**

	Minas de Ameca	Pinabete	Oro	Dragoon	Total
	$	$	$	$	$
Acquisitions/ Land and property	341,807	196,847	320,296	68,895	927,845
Assays & geochemistry	99,530	-	10,998	-	110,528
Camp, Utilities and Supplies	48,823	-	10,372	1,321	60,516
Drilling services	873,989	-	-	-	873,989
Equipment/rentals/Supplies	176,631	-	10,245	766	187,642
Geological & Geophysics	386,480	-	130,178	37,925	554,583
General exploration	73,380	-	2,655	1,072	77,107
Project supervision/Manex	289,553	-	4,425	3,198	297,176
Project support	130,023	-	10,842	1,395	142,260
Travel	36,537	-	7,844	1,014	45,395
Total	**2,456,753**	**196,847**	**507,856**	**115,586**	**3,277,042**

G. Results of Operations

	Year ended April 30, 2009 $	Year ended April 30, 2008 $	Variance Increase/(Decrease) $	Variance Increase/(Decrease) %
Expenses				
Administration	96,000	108,000	(12,000)	(11)%
Investor relations	135,050	194,715	(59,665)	(31)%
Office and general	103,821	111,899	(8,078)	(7)%
Professional fees	211,565	181,285	30,280	17%
Travel and promotion	38,319	116,597	(78,278)	(67)%
Shareholders' communications	6,765	19,208	(12,443)	(65)%
Stock-based compensation	9,998	169,323	(159,325)	(94)%
Other Items				
Interest income	(68,465)	(181,335)	(112,870)	(62)%
Foreign exchange loss/(gain)	(214,609)	488,262	(702,871)	(144)%
General exploration	108,492	26,110	82,382	316%
Write-off of mineral properties	4,130,122	158,313	3,971,809	2509%

The Company reported a net loss of $4,916,500 for the year ended April 30, 2009 ("2009") compared to a net loss of $1,737,112 for the year ended April 30, 2008 ("2008"). This increase in net loss of $3,179,388 was primarily due to write-off of mineral properties.

Stock-based compensation is a non-cash item representing the fair value determined under the Black-Scholes model of the vested portion of existing options, which was allocated to the Consolidated Statement of Operations and Deficit. During the year ended April 30, 2009 the Company expensed $ 9,998 (2008 - $169,323) as stock based compensation.

G. Results of Operations, continued

Excluding stock-based compensation and write-off of mineral property, the loss in 2009 was $776,380 compared to the loss of $1,409,476 in 2008. Decrease of $637,096 was primarily due to decrease in activity level of the Company and in particularly due to the following:

i) Administration fees decreased in accordance with the administrative agreement entered in to by the Company, with a related party (see Note K (a) of this MD&A).

ii) Investor relations fees decreased due to decrease in investor relations activities.

iii) Office and general expenses decreased due to decrease in the time expended administering the company.

iv) Professional fees increased due to an increased requirement for professional services.

v) Travel and promotion costs decreased due to decrease in travel for trade shows and analyst meetings.

vi) Shareholders' communications costs decreased due to the decrease in the number of news releases and dissemination costs.

vii) Interest income decreased due to decrease in cash available for placement.

viii) Foreign exchange loss decreased due to favorable exchange rate prevailed during the period.

xi) General exploration expenses increased due to an increase in the consideration of potential new properties.

H. Quarterly Results

The following financial data was derived from the Company's consolidated financial statements for the current and eight previous quarters:

	Apr 30, 2009 $	Jan 31, 2009 $	Oct 31, 2008 $	Jul 31, 2008 $	Apr 30, 2008 $	Jan 31, 2008 $	Oct 31, 2007 $	Jul 31, 2007 $	Apr 30, 2007 $
Operating expenses	206,309	217,366	218,340	308,947	292,837	273,600	250,494	259,508	465,062
Interest earned	(44,197)	(13,593)	(3,316)	(7,359)	(17,647)	(39,877)	(54,651)	(69,160)	(58,057)
Foreign exchange loss (gain)	29,748	(23,261)	(197,900)	(23,196)	(11,000)	(147,178)	414,958	231,482	235,411
General exploration	32,521	29,602	34,124	12,245	(1,334)	13,371	9,085	4,988	998
Write off of mineral properties	1,569,846	-	2,560,276	-	158,313	-	-	-	-
Loss before the following item	1,794,227	210,114	2,611,524	290,637	421,169	99,916	619,886	426,818	643,414
Stock-based compensation	-	-	-	9,998	110,631	4,606	54,086	-	783,834
Net Loss	**1,794,227**	**210,114**	**2,611,524**	**300,635**	**531,800**	**104,522**	**673,972**	**426,818**	**1,427,248**
Loss per share - basic and dilute	$0.04	$0.00	$0.06	$0.01	$0.01	$0.00	$0.02	$0.01	$0.05

Operating expenses showed a declining trend on a quarterly basis starting from second quarter of the fiscal 2009. This declining trend is mainly related to continuing decrease in investor relation expenses, travel and promotion, and office and general expenses. Management had expected the deterioration in the market conditions and in early 2008 started reviewing its planned spending and had taken some initial measures to conserve cash where possible.

I. Fourth Quarter Ended April 30, 2009

During the fourth quarter the Company relinquished the rights to Tombstone property and accordingly $1,760,658 was written off and included in the statement of operations and deficit.

The Company amended its options agreement with Anglo American Mexico S.A de C.V and accordingly reversed the acquisition costs written off in light of further exploration of the property or to explore joint venture partnership opportunities.

During the quarter ended April 30, 2009, the Company received IVA refunds from the Mexican government. Interest on such long outstanding amounts was included in the interest income.

J. Selected Annual Consolidated Financial Information

The following financial data was derived from the Company's consolidated financial statements as at the following dates:

		2009		2008		2007
Total revenues	$	68,465	$	181,335	$	110,878
Net loss for the year	$	4,916,500	$	1,737,112	$	2,400,796
Basic and fully diluted loss per share	$	0.11	$	0.04	$	0.08
Total assets	$	3,849,003	$	9,031,488	$	9,494,620
Total long-term financial liabilities	$	-	$	-	$	-
Cash dividends declared per common share	$	-	$	-	$	-

K. Related Parties Transactions

The Company entered into the following related party transactions during the year ended April 30, 2009:

(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 for office space and administrative services, professional services, consulting services, investor relations services, geological services and a mark-up for out-of-pocket expenses. Total expenses charged for the year ended April 30, 2009 were $337,838 (2008 - $390,602. Amounts payable under the agreement as at April 30, 2009 were $Nil (2008 - $37,599). Prepayment of $18,333 (2008 - $8,000) was made in relation to the office space and administration services and consulting services.

(b) Pursuant to the consulting agreement, as amended, between the Company and the President of the Company, the Company was charged $111,600 (2008 - $104,000) for consulting services. Amounts payable as at April 30, 2009 were $Nil (2008 - $9,000) and amount prepaid was $5,000 (2008 - $Nil).

(c) Fees in the amount of $46,162 (2008 - 21,803) were charged by a law firm controlled by a director and an officer of the Company and included in investor relations, professional fees and mineral property expenditures. Amounts payable as at April 30, 2009 were $2,465 (2008 - $3,058).

K. Related Parties Transactions, continued

(d) Consulting fees relating to corporate development of $69,000 (2008 - $54,000) were charged by a private company controlled by a director and an officer of the Company.

(e) Consulting fees relating to office administration of $24,000 (2008 - $35,250) were charged by a private company controlled by an officer of the Company. Amounts payable as at April 30, 2009 were $Nil (2008 - $2,100).

For information regarding related party expenditures, refer to Note 7 in the audited consolidated financial statements for the year ended April 30, 2009.

L. Financial Conditions, Liquidity and Capital Resources

The Company has limited financial resources and finances its operations by raising capital in the equity markets. For the near future, the Company will need to rely on the sale of such securities and/or enter into joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral property acquisition and exploration activities.

Although the Company has been successful in the past in obtaining financing through sale of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

The Company had a working capital of $453,945 as at April 30, 2009 compared to $2,613,107 as at April 30, 2008. Cash and cash equivalents totaled $449,203, and $2,575,224 respectively.

i) Equity financings

The Company did not announce or complete any private placements for the year ended April 30, 2009 and 2008.

L. Financial Conditions, Liquidity and Capital Resources, continued

ii) Funds raised by stock options and share purchase warrants exercise

The Company did not raise any funds by stock options or share purchase warrants exercise during the year ended April 30, 2009 and 2008.

iii) Mineral properties expenditures

During the year ended April 30, 2009, the Company expended $1,630,905 (2008 - $2,866,976) on mineral properties (net of shares issued for acquisition costs and ending balance of accounts payable for mineral properties).

During the year ended April 30, 2009 the Company issued 175,000 (2008 – 175,000) common shares valued at $20,375 (2008 – $67,500) as acquisition costs to fulfill various option agreements (please refer Note 8(c) in the audited consolidated financials statements for the year ended April 30, 2009.

iv) Amounts receivable

As at April 30, 2009, the Company had a total of $21,696 (2008 - $148,998) of GST and the equivalent tax in Mexico and Germany.

v) Commitments

Mineral properties interests

Over the next two years, pursuant to the terms of its option agreements and amendments thereto, the Company has the following commitments to maintain the properties and earn its interests therein:

(a) Magistral properties:

- Incur an aggregate of at least US$ 950,000 by July 21, 2009 (Incurred);
- Incur an aggregate of at least US$ 1,800,000 by July 21, 2010;
- Incur an aggregate of at least US$ 3,000,000 by July 21, 2011;
- Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2009 (issued);
- Issue 50,000 common shares to Fury Explorations Ltd. on or before July 21, 2010.
- Issue 250,000 common shares to Fury Explorations Ltd. on or before July 21, 2011.

L. Financial Conditions, Liquidity and Capital Resources, continued

v) Commitments, continued

Mineral properties interests, continued

(b) Quila property:
- Incur an aggregate of at least US$ 1,000,000 by January 19, 2010;
- Issue 100,000 common shares to Soltoro Ltd. on or before January 19, 2010;
- Incur an aggregate of at least US$ 1,900,000 by January 19, 2011;
- Issue 100,000 common shares to Soltoro Ltd. on or before January 19, 2011.

(e) Oro property:
- US $100,000 on or before August 28, 2009;
- US $50,000 on or before December 1, 2009;
- US $200,000 on or before August 28, 2010;
- US $50,000 on or before December 1, 2010;
- US $300,000 on or before August 28, 2011;.

(f) Dragoon property:
- US $50,000 on or before August 28, 2009;
- US$100,000 on or before August 28, 2010;
- US$100,000 on or before August 28, 2011.

Other commitments

(a) Pursuant to an agreement dated November 01, 2007 (see Note K(a) of this MD&A) the Company has committed to pay $96,000 per year ($8,000 per month) to a company privately held by a director and an officer of the Company for office space and general administrative services. The agreement may be cancelled at any time upon one year's notice and expires on June 30, 2012.

vi) Contingencies

(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 instigated in October 1998 and since then no further claims or legal proceedings have taken place.

L. Financial Conditions, Liquidity and Capital Resources, continued

vi) Contingencies, continued

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

Financial statements of the Company 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.

M. Outstanding Shares, Options and Share Purchase Warrants

i) Issued and outstanding shares

The authorized share capital of the Company is unlimited. The issued share capital as at August 18, 2009 is as follows:

	Number of Shares	Total $
Balance as at April 30, 2009	42,874,321	19,000,984
Transaction for the period	50,000	4,250
Balance as at August 18, 2009	**42,924,321**	**19,005,234**

M. Outstanding Shares, Options and Share Purchase Warrants, continued

ii) Share Purchase Warrants

Warrants outstanding at August 18, 2009 are as follows:

Exercise Price	Expiry Date	Balance April 30, 2009	Cancelled or Expired	Balance August 18, 2009
$0.10	February 24, 2010	6,500,000	-	6,500,000
Weighted average exercise price		$0.10	-	$0.10
Weighted average remaining contractual life in years				0.52

On December 10, 2008 the Company extended the expiry date of 6,500,000 share purchase warrants from February 24, 2009 to February 24, 2010 (exercise price $ 0.60) and on May.7, 2009 re-priced the warrants from $0.60 to $0.10 with forced exercise provision of 30 days to exercise if the Company's closing price of the shares is $0.135 or greater for a period of 10 consecutive trading days other wise the warrants will expire on the 31st day.

iii) Stock Options

Stock options outstanding at August 18, 2009 are as follows:

Exercise Price	Expiry Date	Balance August 18, 2009
$0.65	December 10, 2010	827,500
$0.30	October 13, 2010	205,000
$0.51	November 8, 2010	415,000
$0.83	January 16, 2011	190,000
$0.82	March 27, 2011	125,000
$0.88	June 1, 2011	460,000
$0.58	March 1, 2012	1,195,000
$0.58	March 26, 2012	100,000
$0.58	October 19, 2012	25,000
$0.58	December 4, 2012	25,000
$0.21	March 26, 2013	550,000
		4,117,500
Weighted average exercise price		$0.58

M. Outstanding Shares, Options and Share Purchase Warrants, continued

iv) Agents' Options

As a part of a private placement in February 2007, options were granted to agents. Agent options when exercised entitled the agent to one common share and one half of one share purchase warrant exercisable at $0.60 to February 24, 2009.

N. Subsequent Events and Outlook

There are no events subsequent to the date of this document.

O. Financial Instruments

The carrying values of cash, receivables, accounts payable and accrued liabilities, and related parties' accounts payable approximate their fair values because of the short-term maturity of these financial instruments.

P. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

Q. Use of Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Critical accounting policies are disclosed in the annual audited financial statements.

R. Disclosure Controls and Procedures

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors, who meet at least quarterly with management and, at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters.

R. Disclosure Controls and Procedures, continued

Effective August, 2005, the Audit Committee adopted resolutions authorizing the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The implementation of the whistleblower policy is in accordance with new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

S. Risks and Uncertainties

The principal business of the Company is the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered.

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

Since the Company does not generate any revenues, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the sale of securities.

The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favourable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

S. Risks and Uncertainties, continued

The ability to attract capital to the Company is dependent on movements in commodity prices. Commodity prices fluctuate on a daily basis and they are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and, if warranted, discontinued.

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

The Company conducts exploration activities in Mexico and the USA, and is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held by the Company.

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse affect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

T. Changes in Accounting Policies, Including Initial Adoptions

Effective May 1, 2008, the Company adopted the following amended and new Canadian Institute of Chartered Accountants ("CICA") accounting pronouncements on a prospective basis:

- Section 1400 (amended), "General Standards of Financial Statement Disclosure";
- Section 1535, "Capital Disclosures";
- Section 3862, "Financial Instruments – Disclosure"; and
- Section 3863, "Financial Instruments – Presentation".

The amendments to Section 1400 were in connection with the requirement to assess and disclose an entity's ability to continue as a going concern. There was no effect on the Company's financial statement disclosure, or on its consolidated financial position or its consolidated results of operations.

Section 1535 requires a company to disclose information that enables users of its financial statements to evaluate the company's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance, as disclosed in Note 4 of the audited financial statements for the year ended April 30, 2009.

Section 3862, "Financial Instruments – Disclosure", and Section 3863, "Financial Instruments – Presentation", replace the existing Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interests, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Management's objectives and procedures for managing such risks are disclosed in Note 3 of the audited financial statements for the year ended April 30, 2009.

In February 2008, the Canadian Accounting Standards Board confirmed that the publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter ending July 31, 2011, with restatement of comparative information presented. 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 is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion.

U. Licenses and Permits

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

V. Proposed Transactions

Other than normal course review of monthly submittals, there are no new acquisitions or proposed transactions contemplated as at the date of this report.

W. Forward-Looking Statements

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence.

Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as but not limited to; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

Readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not assume any obligation to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws, whether as a result of new information, future events or otherwise.