



**ORKO SILVER CORP. (FORMERLY ORKO GOLD CORPORATION)**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED JULY 31, 2006 AND 2005**  
**(UNAUDITED)**

	Three months ended July 31,		Nine months ended July 31,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>EXPLORATION AND DEVELOPMENT EXPENSES (Schedule 1)</b>				
Drilling	940,026	611,731	2,367,358	826,949
Geological	59,036	79,645	152,576	153,394
Geophysical	-	6,250	-	98,867
Site costs	138,645	47,740	408,234	47,740
General exploration	109,229	2,498	213,112	16,899
	<u>1,246,936</u>	<u>747,863</u>	<u>3,141,280</u>	<u>1,143,849</u>
<b>GENERAL EXPENSES</b>				
Amortization	1,625	967	3,965	1,646
Bank charges and interest	923	321	59,420	680
Consulting fees	23,438	23,410	70,260	70,233
Exchange loss (gain)	(4,700)	(10,374)	15,939	(7,021)
Insurance	1,432	1,078	4,827	3,210
Investor relations	91,622	67,015	198,934	135,508
Management fees	38,500	25,350	151,700	79,050
Office and miscellaneous	23,904	22,121	69,912	37,420
Professional fees	41,338	26,028	110,863	45,703
Rent	8,000	6,000	20,000	18,000
Repairs and maintenance	6,223	658	19,645	1,484
Stock option compensation expense	372,200	15,835	744,400	33,323
Telephone	6,184	1,938	13,306	2,307
Transfer agent and filing fees	32,727	11,961	90,722	26,348
Travel and entertainment	209,453	47,442	439,708	87,240
	<u>852,868</u>	<u>239,750</u>	<u>2,013,600</u>	<u>535,130</u>
<b>OTHER ITEMS</b>				
Interest income	(11,494)	(1,413)	(22,954)	(2,311)
Gain on sale of shares	-	-	(48,124)	-
	<u>(11,494)</u>	<u>(1,413)</u>	<u>(71,078)</u>	<u>(2,311)</u>
<b>NET LOSS FOR THE PERIOD</b>	<u><u>2,088,310</u></u>	<u><u>986,201</u></u>	<u>5,083,802</u>	<u>1,676,669</u>
<b>DEFICIT - BEGINNING OF PERIOD</b>			<u>7,372,410</u>	<u>4,441,426</u>
<b>DEFICIT - END OF PERIOD</b>			<u>12,456,212</u>	<u>6,118,095</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<u>0.04</u>	<u>0.04</u>	<u>0.10</u>	<u>0.07</u>

The accompanying notes are an integral part of these financial statements.

**ORKO SILVER CORP. (FORMERLY ORKO GOLD CORPORATION)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED JULY 31, 2006 AND 2005**  
**(UNAUDITED)**

	Three months ended July 31,		Nine months ended July 31,	
	2006 \$	2005 \$	2006 \$	2005 \$
CASH AND CASH EQUIVALENTS FROM (USED IN):				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(2,088,310)	(986,201)	(5,083,802)	(1,676,669)
Items not involving cash				
Amortization	1,625	967	3,965	1,646
Stock option compensation	372,200	15,835	744,400	33,323
Interest	-	-	52,000	-
	(1,714,485)	(969,399)	(4,283,437)	(1,641,699)
Change in non-cash working capital items	183,322	505,284	(54,659)	699,323
	(1,531,164)	(464,115)	(4,338,096)	(942,376)
<b>INVESTING ACTIVITIES</b>				
Acquisition of equipment	-	-	(17,210)	-
<b>FINANCING ACTIVITIES</b>				
Issuance of shares for cash	2,733,436	207,000	8,883,643	930,000
Share subscriptions	(2,478,000)	1,097,250	-	1,097,250
	255,436	1,304,250	8,883,643	2,027,250
<b>INCREASE (DECREASE) IN CASH</b>	<b>(1,275,728)</b>	<b>840,135</b>	<b>4,528,337</b>	<b>1,084,874</b>
<b>CASH - BEGINNING OF PERIOD</b>	<b>6,033,712</b>	<b>288,330</b>	<b>229,647</b>	<b>43,591</b>
<b>CASH - END OF PERIOD</b>	<b>4,757,984</b>	<b>1,128,465</b>	<b>4,757,984</b>	<b>1,128,465</b>

The accompanying notes are an integral part of these financial statements.

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**SCHEDULE 1****ORKO SILVER CORP. (FORMERLY ORKO GOLD CORPORATION)  
STATEMENT OF PROPERTY ACQUISITION AND EXPLORATION EXPENDITURES  
FOR THE PERIOD ENDED JULY 31, 2006  
(UNAUDITED)**

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<b>MINING PROPERTIES</b>	<b>LA PRECIOSA</b>	<b>SANTA MONICA</b>	<b>SAN JUAN</b>	<b>TOTAL</b>
Balance, October 31, 2005	\$ 21,000	\$ 21,000	\$ -	\$ 42,000
Additions in the period:	1,141,800	-	32,000	1,173,800
Balance, July 31, 2006	\$ 1,162,800	\$ 21,000	\$ 32,000	\$ 1,215,800

<b>EXPLORATION EXPENDITURES YEAR-TO-DATE</b>	<b>LA PRECIOSA</b>	<b>SANTA MONICA</b>	<b>SAN JUAN</b>	<b>TOTAL</b>
Drilling	\$ 2,367,358	\$ -	\$ -	\$ 2,367,358
Geological	152,576	-	-	152,576
Geophysical	-	-	-	-
Site costs	408,234	-	-	408,234
General exploration	213,112	-	-	213,112
Total Expenditures for the period	\$ 3,141,280	\$ -	\$ -	\$ 3,141,280

<b>EXPLORATION EXPENDITURES TOTAL TO DATE</b>	<b>LA PRECIOSA</b>	<b>SANTA MONICA</b>	<b>SAN JUAN</b>	<b>TOTAL</b>
Drilling	\$ 3,673,560	\$ -	\$ -	\$ 3,673,560
Geological	353,035	-	-	353,035
Geophysical	96,712	-	-	96,712
Site costs	575,138	-	-	575,138
General exploration	277,351	-	-	277,351
Total Expenditures to date	\$ 4,975,796	\$ -	\$ -	\$ 4,975,796

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**ORKO SILVER CORP. (FORMERLY ORKO GOLD CORPORATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED JULY 31, 2006 AND 2005**  
**(UNAUDITED – PREPARED BY MANAGEMENT)**

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**1) BASIS OF PRESENTATION**

These interim financial statements of Orko Silver Corp. (Formerly Orko Gold Corporation) (the “Company”) have been prepared by management in accordance with accounting principles generally accepted in Canada. These financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended October 31, 2005. The disclosures included herein are incremental to those included with the annual financial statements. These interim financial statements should be read in conjunction with the audited annual financial statements and the notes thereto in the Company’s annual report for the year ended October 31, 2005.

**2) NATURE OF OPERATIONS AND GOING CONCERN**

The Company’s financial statements have been prepared on the basis of accounting principles applicable to a going concern which assume the realization of assets and discharge of liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon successful completion of additional financing, and continuing support of creditors. These financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

**3) SIGNIFICANT ACCOUNTING POLICIES**

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses for the periods reported. Although these financial statements have, in management’s opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below, actual results could differ from these estimates.

ii) Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with maturities at acquisition of three months or less.

iii) Investments

Investments in marketable securities are carried at the lower of cost or quoted market value.

iv) Mineral Properties, Exploration and Development expenditures

Costs for the acquisition of mineral properties are initially deferred. All exploration costs are expensed. Following a determination as to the economic viability of a property, all development expenditures on that property are capitalized. All such deferred property and capitalized development costs will be amortized following commencement of production, using the unit of production basis.

Each quarter, the recorded values assigned to each mineral property and any associated capitalized development costs are tested to ensure that each such aggregate value is appropriate in relation to the property’s stage of exploration or development and the current economic viability of the property. When a property is determined, as a result of this review, to be overvalued or no longer of interest, its carrying value is adjusted to reflect the net realizable value to the Company.

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**3) SIGNIFICANT ACCOUNTING POLICIES (continued)**

v) Capital assets

Capital assets, which consists of computer hardware, is amortized on the declining balance basis at 30% per annum.

vi) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

vii) Income Taxes

The Company has unused tax losses, income tax reductions and deductible temporary differences. However, it will only recognize any future income tax benefit to the extent that these amounts will be more than likely realized.

viii) Stock Based Compensation

The Company uses the "fair value method" for all options granted. Under the fair value method, all stock-based payments are measured at the fair value of the equity instruments issued on the date of grant. The fair value of stock-based payments is periodically re-measured until counter-party performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

ix) Earnings Per Share

The Company follows the "treasury stock method" in the calculation of diluted loss per share which requires the presentation of both basic and diluted loss per share on the face of the statement of operations and deficit regardless of the materiality of the difference between them.

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**4) SHARE CAPITAL**

a) Authorized: unlimited number of common shares without par value

b) Issued and Outstanding:

	No. of Shares	\$
Balance, October 31, 2004	19,558,384	4,429,559
Private placement at \$0.15 per unit	2,250,000	337,500
Private placement at \$0.25 per unit	4,800,000	1,200,000
Private placement at \$0.27 per unit	400,000	108,000
Shares issued for finders' fee	603,685	131,915
Shares issued for La Preciosa property	50,000	21,000
Shares issued for Santa Monica property	50,000	21,000
Exercise of warrants	6,620,000	668,000
Exercise of options	690,000	72,600
Fair value of options exercised	-	30,500
Less: Share issue costs	-	(131,915)
Balance, October 31, 2005	35,022,069	6,888,159
Private placement at \$0.30 per unit	10,667,332	3,200,200
Private placement at \$0.35 per unit	8,798,570	3,079,499
Private placement at \$0.59 per unit	4,600,000	2,714,000
Shares issued for finders' fee	957,000	406,048
Shares issued for bridge loan	100,000	52,000
Shares issued for La Preciosa property	2,378,750	1,141,800
Shares issued for San Juan property	40,000	32,000
Exercise of warrants	1,937,483	416,893
Exercise of options	210,000	47,550
Exercise of agent's options	85,300	25,590
Fair value of options exercised	-	25,900
Less: Share issue costs	-	(1,006,137)
Balance, July 31, 2006	<u>64,796,504</u>	<u>17,023,502</u>

c) Warrants outstanding:

As at July 31, 2006, warrants outstanding were as follows:

No. of Warrants	Exercise Price	Expiry Date
1,195,000	\$0.20	March 14, 2007
2,401,000	\$0.30	August 17, 2007
112,343	\$0.35	August 17, 2007
10,883,799	\$0.40	February 3, 2007
9,031,520	\$0.50	September 2, 2007
2,485,000	\$0.78	May 23, 2008
<u>26,108,662</u>		

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d) Options outstanding:

As at July 31, 2006, options outstanding were as follows:

No. of Common Shares Issuable	Exercise Price	Date of Expiry
865,000	\$0.11	October 21, 2008
260,000	\$0.22	December 4, 2006
80,000	\$0.13	November 30, 2006
100,000	\$0.25	January 28, 2007
25,000	\$0.30	April 7, 2007
50,000	\$0.24	April 22, 2007
175,000	\$0.40	June 16, 2007
200,000	\$0.54	August 30, 2007
1,065,000	\$0.45	September 21, 2007
2,460,000	\$0.55	March 3, 2011
300,000	\$0.47	March 23, 2011
<u>5,580,000</u>		

e) Agent's options outstanding (exercisable into Units consisting of one common share and one warrant):

No. of Units Issuable	Exercise Price	Date of Expiry
594,700	\$0.30	February 3, 2007

**5) RELATED PARTY TRANSACTIONS**

- a) During the period ended July 31, 2006, officers were paid \$151,700 (2005 - \$79,050) for management of the Company's affairs.
- b) Accounts payable at July 31, 2006 includes \$Nil (2005 - \$2,592) due to a company with a common director.

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**6) DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), which differ from those generally accepted in the United States of America (US GAAP) or from practices prescribed by the Securities and Exchange Commission (SEC) with regard to stock-based compensation. Under Canadian GAAP compensation expense must be recorded for stock options granted to directors, officers and employees that are exercisable at the market price at the time granted, whereas no expense is recorded for such items under US GAAP. The effect of this difference is as follows:

a) Contribute Surplus

	July 31, 2006	October 31, 2005
	\$	\$
Stated amount under Canadian GAAP	1,180,270	461,770
Adjustment for stock-based compensation	714,103	344,270
<u>Amount under US GAAP</u>	<u>283,333</u>	<u>117,500</u>

b) Deficit

	July 31, 2006	October 31, 2005
	\$	\$
Stated amount under Canadian GAAP	12,456,212	7,372,409
Adjustment for stock-based compensation	743,003	364,270
<u>Amount under US GAAP</u>	<u>11,713,209</u>	<u>7,008,139</u>

**7) SUBSEQUENT EVENTS**

- a) On August 29, 2006, the Company announced that the TSX Venture Exchange had elevated the Company's listing from Tier 2 to Tier 1 status. Tier 1 is the Exchange's premier tier and is reserved for the Exchange's most advanced issuers with the most significant resources.
- b) On September 7, 2006, the Company announced an update to the silver-gold Inferred Resource Estimate originally announced in January 2006 and the discovery of a new vein, the Nancy vein, on La Preciosa property in Durango, Mexico. La Preciosa deposit now has an outlined Inferred Resource of 3.42 million tonnes grading 235.0 silver grams per tonne (g/t) and 0.435 gold g/t, for a silver-equivalent grade of 261.1 g/t. This represents a silver-equivalent metal content of 892 million grams (28.7 million ounces).
- c) On September 13, 2006, the Company announced that it had granted options to certain of its directors, officers, consultants and employees to purchase a total of 1,450,000 shares at a price of \$0.55 per share for a period of five (5) years ending September 11, 2011. The options have been granted under the Company's existing stock option plan and are subject to vesting provisions contained in the Company's stock option plan.