
ORKO SILVER CORP.
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2007 AND 2006
(Expressed in Canadian Dollars)



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
Orko Silver Corp.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Orko Silver Corp. (an exploration stage company) as at October 31, 2007 and 2006 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years ended October 31, 2007, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). 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 October 31, 2007 and 2006 and the results of its operations and its cash flows for the years ended October 31, 2007, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants
Vancouver, British Columbia
February 1, 2008

COMMENTS BY AUDITORS ON CANADA-UNITED STATES REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition of an explanatory paragraph when there is a restatement of prior year financial statements, such as the changes described in Note 17 to the financial statements. Our report to the shareholders is expressed in accordance with Canadian reporting standards which do not require a reference to restated financial statements of prior years when the restatement is properly accounted for and adequately disclosed in the financial statements.

Manning Elliott LLP

Chartered Accountants
Vancouver, British Columbia
February 1, 2008

ORKO SILVER CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT OCTOBER 31, 2007 AND 2006
(Expressed in Canadian Dollars)

	2007	2006
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,035,735	215,748
Short-term investments	7,000,000	3,000,000
Receivables	441,271	85,782
Prepaid expenses and deposits	93,648	-
Advances to related parties (Note 13(a))	19,632	-
	<u>8,590,286</u>	<u>3,301,530</u>
DEPOSITS	27,154	19,484
PROPERTY AND EQUIPMENT (Note 4)	430,935	16,075
MINERAL PROPERTIES (Note 5)	1,316,163	1,287,163
	<u>10,364,538</u>	<u>4,624,252</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,179,804	525,895
Due to related parties (Note 13(b))	79,761	165,805
	<u>1,259,565</u>	<u>691,700</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	31,847,472	14,172,827
CONTRIBUTED SURPLUS (Note 7)	3,870,934	3,940,568
DEFICIT	(26,613,433)	(14,180,843)
	<u>9,104,973</u>	<u>3,932,552</u>
	<u>10,364,538</u>	<u>4,624,252</u>

COMMITMENTS (Note 15)
SUBSEQUENT EVENTS (Note 16)

Approved on Behalf of the Board of Directors:

"Gary Cope" Director
Gary Cope

"Ross Wilmot" Director
Ross Wilmot

(The accompanying notes are an integral part of these consolidated financial statements)

ORKO SILVER CORP.**(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

	(Restated – Note 17)		
	2007	2006	2005
	\$	\$	\$
REVENUE	–	–	–
EXPENSES			
Amortization	11,358	5,590	2,195
Bank charges and interest	4,811	3,007	1,234
Consulting fees	58,614	110,579	93,645
Exploration expenditures (Notes 8 and 13(c)(i))	7,878,309	4,703,598	1,793,762
Insurance	10,567	6,102	4,288
Investor and public relations	551,197	450,027	177,262
Management fees (Note 13(c)(ii))	243,600	191,800	109,100
Office and miscellaneous	168,581	106,814	51,334
Professional fees	116,587	61,683	55,447
Rent	59,864	32,000	24,000
Repairs and maintenance	45,698	23,940	2,484
Stock-based compensation (Note 9)	2,631,156	750,165	136,650
Telephone and communications	49,938	20,787	4,930
Transfer agent and filing fees	47,635	28,296	29,509
Travel and entertainment (Note 13(c)(iii))	774,918	663,853	141,063
	12,652,833	7,158,241	2,626,903
LOSS BEFORE OTHER ITEMS	(12,652,833)	(7,158,241)	(2,626,903)
OTHER ITEMS			
Foreign exchange gain (loss)	24,771	(20,148)	14,476
Gain on sale of investments	–	48,124	–
Interest income	195,472	114,522	4,212
Interest expense	–	(50,000)	–
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(12,432,590)	(7,065,743)	(2,608,215)
DEFICIT, BEGINNING OF YEAR	(14,180,843)	(7,115,100)	(4,441,426)
RESTATEMENT (Note 17)	–	–	(65,459)
DEFICIT, BEGINNING OF YEAR, AS RESTATED	(14,180,843)	(7,115,100)	(4,506,885)
DEFICIT, END OF YEAR	(26,613,433)	(14,180,843)	(7,115,100)
LOSS PER SHARE (Note 11)			
Basic and diluted	(0.15)	(0.13)	(0.11)

(The accompanying notes are an integral part of these consolidated financial statements)

ORKO SILVER CORP.**(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

	2007	2006	2005
	\$	\$	\$
CASH FROM (USED IN):			
OPERATING ACTIVITIES			
Loss for the year	(12,432,590)	(7,065,743)	(2,608,215)
Items not involving cash and cash equivalents:			
Amortization	11,358	5,590	2,195
Gain on sale of marketable securities	–	(48,124)	–
Shares issued for interest	–	45,000	–
Stock-based compensation expense	2,631,156	750,165	136,650
	(9,790,076)	(6,313,112)	(2,469,370)
Changes in operating assets and liabilities:			
Receivables	(355,489)	(76,998)	(4,708)
Prepaid expenses and deposits	(101,318)	19,484	–
Advances to related parties	(19,632)	13,265	–
Accounts payable and accrued liabilities	653,909	198,410	287,253
Due to related parties	(86,044)	162,220	(13,219)
	(9,698,650)	(6,035,699)	(2,200,044)
FINANCING ACTIVITIES			
Proceeds from common shares issued, net of cash share issue costs	14,463,055	6,394,364	2,386,100
Proceeds from warrants issued in private placements	481,800	2,592,725	–
	14,944,855	8,987,089	2,386,100
INVESTING ACTIVITIES			
Purchase of property and equipment	(426,218)	(17,210)	–
Purchase of mineral property	–	(6,642)	–
Purchases of short-term investments	(9,000,000)	(4,000,000)	–
Sales of short-term investments	5,000,000	1,000,000	–
Sale of marketable securities	–	58,563	–
	(4,426,218)	(2,965,289)	–
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	819,987	(13,899)	186,056
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	215,748	229,647	43,591
CASH AND CASH EQUIVALENTS, END OF YEAR	1,035,735	215,748	229,647

SUPPLEMENTAL CASH FLOW INFORMATION (Note 10)

(The accompanying notes are an integral part of these consolidated financial statements)

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

1. NATURE AND CONTINUANCE OF OPERATIONS

Orko Silver Corp. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on August 5, 1983. The Company's principal business activities include the acquisition and exploration of mineral properties domiciled in Mexico. The Company is in the exploration stage and has not yet determined whether any of these properties contain ore reserves that are economically recoverable.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Presentation**

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned Mexican subsidiary, Orko Silver de Mexico S.A. de C.V., which was incorporated on October 4, 2006. All significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the recoverability or valuation of receivables and mineral properties, the useful lives of property and equipment, the utilization of future income tax assets, the valuation of asset retirement obligations and stock-based compensation. Actual results may ultimately differ from those estimates.

(c) Cash Equivalents

The Company considers all highly liquid investments with a term to maturity of three months or less on the date of purchase to be cash equivalents.

(d) Short-Term Investments

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are recorded at the lower of cost or fair market value. The market value of short-term investments as at October 31, 2007 was \$7,000,000 (2006 - \$3,000,000)

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Property and Equipment**

Property and equipment is recorded at cost less accumulated amortization. Amortization is recognized on the declining balance basis at the following rates per annum:

Building	5%
Automobile	30%
Computer equipment	30%

(f) Mineral Properties

Mineral property acquisition costs are capitalized, exploration costs are expensed, and development costs are capitalized once a mineral property is determined to be economically viable. Capitalized mineral property costs will be amortized upon the commencement of commercial production using the unit of production basis.

(g) Translation of Foreign Currencies and Subsidiary

The Company's functional currency is the Canadian dollar and the functional currency of the Company's wholly-owned Mexican subsidiary is the Mexican Peso. Transactions in foreign currencies are translated into the functional currencies of the Company and its subsidiary at the exchange rates in effect on the transaction date. Monetary assets and liabilities expressed in foreign currencies are translated into the functional currencies of the Company and its subsidiary at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in income. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

The accounts of the Company's integrated foreign operations in Mexico are translated using the temporal method of translation. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Revenue and expense items are translated at the exchange rates prevailing at the date of the transaction except for amortization, which is translated at the exchange rates applicable to the related property and equipment. Exchange gains and losses on translation are included in the determination of loss for the year.

(h) Earnings / Loss per Share

Basic earnings/loss per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings / loss per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of "in the money" stock options, warrants and agent unit options.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Long-Lived Assets**

The recoverability of long-lived assets, which includes equipment and mineral properties, is assessed when an event occurs indicating impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time the carrying amount is written down to fair value.

(j) Stock-Based Compensation

The Company has a plan for granting stock options to management, directors, employees and consultants. The Company recognizes compensation expense for this plan under the fair value based method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of each option grant, calculated using the Black-Scholes option-pricing model, is recognized as stock-based compensation expense over the vesting period and credited to contributed surplus. The Company estimates the fair value of each grant. Consideration paid on the exercise of stock options is recorded as share capital.

(k) Asset Retirement Obligations

Effective January 1, 2004, the Company adopted a new Canadian accounting standard for asset retirement obligations. Under the new standard, the Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As at October 31, 2007, the Company has not incurred any asset retirement obligation related to the exploration of its mineral properties.

(l) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(m) Comparative Figures

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

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND DEVELOPMENTS**(a) Accounting Changes**

Effective November 1, 2006, the Company adopted the revised CICA 1506, "Accounting Changes", which requires that: (i) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (ii) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (iii) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

(b) Financial Instruments

Effective November 1, 2006, the Company adopted the three new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

(i) CICA 3855, "Financial Instruments – Recognition and Measurement"

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. Effective November 1, 2006, the Company's cash equivalents have been classified as held-for-trading and are recorded at fair value on the balance sheet. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in foreign exchange gain/loss in the statement of operations. All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing an other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

(ii) CICA 3865, "Hedges"

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13, "Hedging Relationships", and CICA 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company had no hedging relationships as at November 1, 2006. There was no impact on the Company's financial statements upon adoption of this standard.

(iii) CICA 1530, "Comprehensive Income"

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. During the year ended October 31, 2007, there were no items classified as other comprehensive income.

ORKO SILVER CORP.
(An Exploration Stage Company)
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FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005
(Expressed in Canadian Dollars)

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND DEVELOPMENTS (continued)

(b) Financial Instruments

(iv) CICA 3862, "Financial Instruments – Disclosures"

This standard relates to the disclosure of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3863, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending October 31, 2008.

(v) CICA 3863, "Financial Instruments – Presentation"

This standard relates to the presentation of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3862, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending October 31, 2008.

(c) CICA 1535, "Capital Disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending October 31, 2008.

(d) CICA 3031, "Inventories"

This standard relates to the measurement and disclosure of inventories. It applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Early adoption is permitted. The Company anticipates it will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending October 31, 2008. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

4. PROPERTY AND EQUIPMENT

			October 31, 2007	October 31, 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	113,024	-	113,024	-
Building	270,893	5,070	265,823	-
Automobile	33,342	1,206	32,136	-
Computer equipment	34,498	14,546	19,952	16,075
	<u>451,757</u>	<u>20,822</u>	<u>430,935</u>	<u>16,075</u>

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

5. MINERAL PROPERTIES

	La Preciosa Mexico \$	Santa Monica Mexico \$	San Juan Mexico \$	Total \$
2007				
Mineral properties, beginning of the year	1,234,163	21,000	32,000	1,287,163
Acquisition costs capitalized during the year	–	29,000	–	29,000
Mineral properties, end of the year	1,234,163	50,000	32,000	1,316,163
2006				
Mineral properties, beginning of the year	21,000	21,000	–	42,000
Acquisition costs capitalized during the year	1,213,163	–	32,000	1,245,163
Mineral properties, end of the year	1,234,163	21,000	32,000	1,287,163

(a) La Preciosa, Mexico

On November 17, 2003, the Company acquired an option to earn a 51% interest in the La Preciosa property from Minas Sanluis S.A. de C.V. ("Minas Sanluis"), a wholly-owned subsidiary of Goldcorp Inc. (formerly Wheaton River Minerals Ltd.). Under the terms of the agreement, the Company could earn the interest by:

- (i) issuing 100,000 common shares of the Company to Minas Sanluis - the first 50,000 shares upon approval by the TSX Venture Exchange (the "Acceptance Date") and the remaining 50,000 shares 12 months thereafter; and
- (ii) incurring expenditures of US\$1,000,000 over five years.

The Company could earn a further 24% interest in the property by incurring additional expenditures of US\$500,000 by the end of the sixth year. Upon the Company earning a 75% interest, Minas Sanluis would have a 90-day option to purchase a 35% interest in the property for US\$1,500,000 increasing its total interest to 60%.

In fiscal 2006, the Company fulfilled its obligations under the agreement and had earned a total interest of 75%. On February 27, 2006, the Company entered into a letter agreement to acquire the remaining 25% interest in the property from Minas Sanluis for common shares of the Company. On June 21, 2006, the Company fulfilled its obligations under the letter agreement by issuing 2,378,750 common shares with a fair market value of \$1,206,521 increasing the Company's total interest to 100%.

The Company is obligated to pay 2% of net smelter returns on all product sold or deemed to have been sold on La Preciosa to certain royalty holders. The Company has granted Goldcorp Inc. the right of first refusal upon the sale of all or part of the Company's interest in the La Preciosa property.

(b) Santa Monica, Mexico

On May 11, 2004, the Company acquired an option to earn a 51% interest in the Santa Monica property from Minas Sanluis S.A. de C.V. ("Minas Sanluis"), a wholly-owned subsidiary of Goldcorp Inc. (formerly Wheaton River Minerals Ltd.). Under the terms of the agreement, the Company can earn the interest by:

- (i) issuing 100,000 common shares of the Company to Minas Sanluis - the first 50,000 shares upon approval by the TSX Venture Exchange (the "Acceptance Date") and the remaining 50,000 shares 12 months thereafter; and

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

5. MINERAL PROPERTIES (continued)

(b) Santa Monica, Mexico (continued)

(ii) incurring expenditures of US\$1,000,000 over five years as follows:

Date	US\$
March 10, 2006	75,000
March 10, 2007	100,000
March 10, 2008	125,000
March 10, 2009	250,000
March 10, 2010	450,000

The Company can earn a further 24% interest in the property by incurring additional expenditures of US\$500,000 by the end of the sixth year. Upon the Company earning a 75% interest, Minas Sanluis would have a 90-day option to purchase a 35% interest in the property for US\$1,500,000 increasing its total interest to 60%. The Company is obligated to pay 2% of net smelter returns on all product sold or deemed to have been sold on Santa Monica to certain royalty holders.

Pursuant to the terms of the agreement, the Company issued the first 50,000 shares to Minas Sanluis with a fair value of \$21,000 during the year ended October 31, 2005. The Company issued the second 50,000 shares with a fair value of \$29,000 on February 9, 2007. The fair values were determined based on the market price of the shares on the measurement date.

As at October 31, 2007, the Company has incurred exploration expenditures amounting to \$456,417, and is consequently in compliance with the required expenditure commitments on the Santa Monica property.

(c) San Juan, Mexico

On April 10, 2006, the Company acquired an option to earn a 75% interest in the San Juan property from Silver Standard Mexico S.A. de C.V. ("Silver Standard"), a wholly-owned subsidiary of Silver Standard Resources Inc. Under the terms of the agreement, the Company can earn the interest by:

(i) issuing 40,000 common shares of the Company to Silver Standard upon approval by the TSX Venture Exchange (the "Acceptance Date") and

(ii) incurring expenditures of US\$750,000 cumulatively over three years as follows:

Date	US\$
Incurred before April 10, 2007 (extended to July 10, 2007)	250,000
Incurred before April 10, 2009	750,000

Upon earning a 75% interest in the property, the Company and Silver Standard will form a joint venture. The agreement provides that Silver Standard will be given the right to increase its interest in the joint venture by 10% for a total interest of 35% by incurring the next US\$750,000 in expenditures on the property.

Pursuant to the terms of the agreement, on May 16, 2006, the Company issued 40,000 shares to Silver Standard with a fair value of \$32,000 and has incurred expenditures in excess of US\$250,000 as at July 10, 2007 and consequently has met the expenditure commitments to date per the agreement.

On a semi-annual basis, the Company is obligated to pay the greater of US\$5,000 and 2% of direct exploration expenditures on San Juan to certain royalty holders. During the year ended October 31, 2007, the Company paid or accrued \$22,590 under this obligation.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

6. SHARE CAPITAL

(a) Authorized Share Capital

Unlimited number of common shares without par value.

(b) Issued and Outstanding Share Capital

	Number of Shares	Amount \$
Balance, October 31, 2005	35,022,069	6,888,159
Issued during the year		
For cash:		
Private placements, net of share issue costs (Note 6(b)(i), (ii) and (iii))	24,065,902	4,595,815
Exercise of options	215,000	48,200
Exercise of agent unit options	333,425	100,028
Exercise of warrants	2,199,150	521,560
For services:		
Finders' fees for private placements (Note 6(b)(i), (ii) and (iii))	957,000	556,041
For property:		
Issued for La Preciosa property (Note 5(a))	2,378,750	1,206,521
Issued for San Juan property (Note 5(c))	40,000	32,000
For interest expense	100,000	45,000
Transferred from contributed surplus:		
Exercise of options	—	26,150
Exercise of agent unit options	—	96,393
Exercise of warrants	—	56,960
Balance at October 31, 2006	65,311,296	14,172,827

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6. SHARE CAPITAL (continued)

(b) Issued and Outstanding (continued)

	Number of Shares	Amount \$
Balance at October 31, 2006	65,311,296	14,172,827
Issued during the year		
For cash:		
Private placements, net of share issue costs (Note 6(b)(iv))	3,943,000	2,495,296
Exercise of options	2,220,000	1,069,950
Exercise of agent unit options	346,575	103,973
Exercise of warrants	24,927,407	10,793,836
For property:		
Issued for Santa Monica property (Note 5(b))	50,000	29,000
Transferred from contributed surplus:		
Exercise of options	–	526,262
Exercise of agent unit options	–	100,221
Exercise of warrants	–	2,556,107
Balance at October 31, 2007	96,798,278	31,847,472

- (i) On February 3, 2006, the Company issued 10,667,332 units at \$0.30 per unit for gross proceeds of \$3,200,200 under brokered and non-brokered private placements. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share for 12 months from the date of closing at a price of \$0.40 per common share. Values of \$2,160,580 and \$1,039,620 were assigned to the common shares and warrants, respectively, based on their relative fair values at the closing date of the private placements. In connection with the private placement, the Company issued 354,050 units as a commission with terms similar to those issued under the brokered and non-brokered private placements. Values of \$180,566 and \$86,884 were assigned to the common shares and warrants, respectively, based on their fair values at the closing date of the private placements. The Company issued 680,000 options to acquire 680,000 units at a price of \$0.30 per unit for a period of 12 months from the date of closing as a commission. The units have the same terms as those issued under the brokered and non-brokered private placements. These agent options were assigned a fair value of \$363,485. The Company paid cash commissions of \$168,828 and incurred other cash share issuance costs of \$49,057. The fair values of the agent options and warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model.

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6. SHARE CAPITAL (continued)**(b) Issued and Outstanding (continued)**

- (ii) On March 2, 2006, the Company issued 8,798,570 units at \$0.35 per unit for gross proceeds of \$3,079,500 under a non-brokered private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share for 18 months from the date of closing at a price of \$0.50 per common share. Values of \$2,080,181 and \$999,319 were assigned to the common shares and warrants, respectively, based on their relative fair values at the closing date of the private placement. In connection with the private placement, the Company issued 232,950 units as a commission with terms similar to those issued under the brokered and non-brokered private placements. Values of \$116,475 and \$55,955 were assigned to the common shares and warrants, respectively, based on their fair values at the closing date of the private placements. The Company paid cash commissions of \$226,475 and incurred other cash share issuance costs of \$26,697. The fair values of the warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model.

- (iii) On May 23, 2006, the Company issued 4,600,000 units at \$0.59 per unit for gross proceeds of \$2,714,000 under a non-brokered private placement. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of \$0.78 per common share. Values of \$2,160,214 and \$553,786 were assigned to the common shares and warrants, respectively, based on their relative fair values at the closing date of the private placement. In connection with the private placement, the Company issued 370,000 units as a commission with terms similar to those issued under the brokered and non-brokered private placements. Values of \$259,000 and \$66,397 were assigned to the common shares and warrants, respectively, based on their fair values at the closing date of the private placements. The Company paid cash commissions of \$155,197 and incurred other cash share issuance costs of \$26,792. The fair values of the warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model.

- (iv) On August 24, 2007, the Company issued 3,943,000 units at \$0.80 per unit for gross proceeds of \$3,154,400 under a private placement. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of \$1.00 per common share. Values of \$2,672,600 and \$481,800 were assigned to the common shares and warrants, respectively, based on their relative fair values at the closing date of the private placement. The Company paid cash commissions of \$150,000 and incurred other cash share issuance costs of \$27,304. The fair values of the warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model.

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6. SHARE CAPITAL (continued)**(c) Stock Options**

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. On March 8, 2007, the Company adopted a 20% Fixed Plan, which was subsequently approved by shareholders at its Annual General Meeting of Shareholders to grant options to directors, officers, employees, dependent contractors and consultants of the Company. Under the plan, the board of directors has the discretion to issue the equivalent of up to 15,517,180 shares. Options are generally for a term of up to five years from the date granted and are exercisable at a price that is not less than the market price on the date granted.

Stock option activity since October 31, 2005 is presented below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, October 31, 2005	3,030,000	0.26
Granted	4,210,000	0.54
Exercised	(215,000)	0.22
Cancelled	(550,000)	0.55
Expired	(260,000)	0.22
Outstanding, October 31, 2006	6,215,000	0.45
Granted	9,375,000	0.80
Exercised	(2,220,000)	0.48
Outstanding, October 31, 2007	13,370,000	0.69

The following table summarizes the stock options outstanding and exercisable at October 31, 2007:

Options Outstanding				Options Exercisable		
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	
\$0.11 - \$0.13	915,000	1.1	\$0.11	915,000	\$0.11	
\$0.22 - \$0.25	360,000	0.7	0.23	360,000	0.23	
\$0.47	200,000	3.4	0.47	200,000	0.47	
\$0.55 - \$0.58	3,060,000	3.7	0.55	2,985,000	0.55	
\$0.63 - \$0.69	2,045,000	4.3	0.69	1,982,500	0.69	
\$0.82 - \$0.85	6,365,000	4.8	0.85	2,508,750	0.84	
\$0.92 - \$0.95	175,000	4.5	0.92	175,000	0.92	
\$1.15 - \$1.26	250,000	4.9	1.17	62,500	1.17	
	13,370,000			9,188,750		

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6. SHARE CAPITAL (continued)**(c) Stock Options (continued)**

During the year ended October 31, 2007, the Board of Directors approved the extension of the expiry dates of 250,000 stock options as follows:

Number of Options	Original Exercise Price	New Exercise Price	Original Expiry Date	New Expiry Date
75,000	\$0.13	\$0.13	November 30, 2006	November 30, 2009
100,000	\$0.25	\$0.25	January 28, 2007	January 28, 2010
25,000	\$0.30	\$0.63	April 1, 2007	April 1, 2010
50,000	\$0.24	\$0.63	April 22, 2007	April 22, 2010
250,000				

For these extensions, the Company recorded an incremental value of \$16,987 in stock-based compensation expense.

(d) Warrants

Warrant activity since October 31, 2005 is presented below:

	Number of Shares	Weighted Average Exercise Price
		\$
Outstanding, October 31, 2005	5,329,343	0.23
Issued	22,871,327	0.48
Exercised	(2,199,150)	0.24
Outstanding, October 31, 2006	26,001,520	0.45
Issued	2,318,075	0.91
Exercised	(24,927,407)	0.43
Outstanding, October 31, 2007	3,392,188	0.91

The following table summarizes the warrants outstanding at October 31, 2007:

Number of Shares	Exercise Price	Issue Date	Expiry Date
1,420,688	\$ 0.78	May 23, 2006	May 23, 2008
1,971,500	\$1.00	August 24, 2007	August 24, 2009
3,392,188			

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6. SHARE CAPITAL (continued)

(e) Agent Unit Options

During the year ended October 31, 2006, the Company issued 680,000 agent options to purchase 680,000 units, each unit consisting of one common share and one share purchase warrant, in connection with the financing described in Note 6(b)(i). Agent unit option activity since October 31, 2005 is presented below:

	Number of Units	Weighted Average Exercise Price \$
Outstanding, October 31, 2005	—	—
Granted	680,000	0.30
Exercised	(333,425)	0.30
Outstanding, October 31, 2006	346,575	0.30
Exercised	(346,575)	0.30
Outstanding, October 31, 2007	—	—

7. CONTRIBUTED SURPLUS

	Amount \$
Balance at October 31, 2005	204,461
Stock-based compensation recorded during the year	750,165
Fair value of warrants issued for services	572,720
Relative fair value of warrants issued for cash in private placements	2,592,725
Transferred to share capital upon exercise of stock options	(26,150)
Transferred to share capital upon exercise of agent options	(96,393)
Transferred to share capital upon exercise of warrants	(56,960)
Balance at October 31, 2006	3,940,568
Stock-based compensation recorded during the year	2,631,156
Relative fair value of warrants issued for cash in private placements	481,800
Transferred to share capital upon exercise of stock options	(526,262)
Transferred to share capital upon exercise of agent options	(100,221)
Transferred to share capital upon exercise of warrants	(2,556,107)
Balance at October 31, 2007	3,870,934

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

8. EXPLORATION EXPENDITURES

2007 Exploration Expenditures	La Preciosa	Santa Monica	San Juan	Total
Drilling	\$ 4,706,470	\$ -	\$ 388,723	\$ 5,095,193
Geological	324,838	86,576	74,383	485,798
Geophysical	-	106,740	10,343	117,083
Assay	1,014,494	15,872	61,079	1,091,445
Site costs	565,592	117,722	98,735	782,049
General exploration	163,241	98,820	44,680	306,741
Total expenditures for the period	\$ 6,774,635	\$ 425,730	\$ 677,943	\$ 7,878,309

2006 Exploration Expenditures	La Preciosa	Santa Monica	San Juan	Total
Drilling	\$ 3,469,693	\$ -	\$ -	\$ 3,469,693
Geological	208,100	-	-	208,100
Geophysical	-	-	-	-
Assay	212,229	-	-	212,229
Site costs	699,719	25,870	-	725,589
General exploration	83,170	4,817	-	87,987
Total expenditures for the period	\$ 4,672,911	\$ 30,687	\$ -	\$ 4,703,598

2005 Exploration Expenditures	La Preciosa	Santa Monica	San Juan	Total
Drilling	\$ 1,306,202	\$ -	\$ -	\$ 1,306,202
Geological	163,277	-	-	163,277
Geophysical	96,712	-	-	96,712
Assay	53,650	-	-	53,650
Site costs	166,904	-	-	166,904
General exploration	7,017	-	-	7,017
Total expenditures for the period	\$ 1,793,762	\$ -	\$ -	\$ 1,793,762

Exploration Expenditures Total to Date	La Preciosa	Santa Monica	San Juan	Total
Drilling	\$ 9,482,365	\$ -	\$ 388,723	\$ 9,871,088
Geological	733,398	86,576	74,383	894,357
Geophysical	96,712	106,740	10,343	213,795
Assay	1,280,373	15,872	61,079	1,357,324
Site costs	1,432,215	143,592	98,735	1,674,542
General exploration	257,000	103,637	44,680	405,317
Total expenditures to date	\$ 13,282,063	\$ 456,417	\$ 677,943	\$ 14,416,423

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

9. STOCK-BASED COMPENSATION

During the year ended October 31, 2007, the Company granted 9,375,000 (2006 – 4,210,000; 2005 – 1,865,000) stock options to directors, officers and consultants of the Company. The weighted average fair values of each option granted was \$0.36 (2006 - \$0.23; 2005 - \$0.21) calculated using the Black-Scholes option-pricing model at the date of each grant using the following assumptions:

	2007	2006	2005
Expected option lives	2 years	2 years	2 years
Risk-free interest rate	4.3%	4.1%	3.0%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	77%	84%	100%

During the year ended October 31, 2007, the Company recognized \$2,631,156 (2006 - \$750,165; 2005 - \$136,650) of compensation cost which has been recorded in stock-based compensation expense. The amount includes \$16,987 (2006 - \$nil; 2005 - \$nil) relating to the modification of stock options as disclosed in Note 6(c).

10. SUPPLEMENTAL CASH FLOW INFORMATION

	October 31, 2007	October 31, 2006
	\$	\$
Cash and cash equivalents consist of:		
Bank deposits	895,619	215,748
Cash held in trust	140,116	–
	1,035,735	215,748

	2007	2006	2005
	\$	\$	\$
Cash paid for:			
Interest	–	5,000	–
Income taxes	–	–	–
Non-cash financing and investing activities:			
Common shares issued for share issuance costs	–	556,041	131,915
Common shares issued for interest expense	–	45,000	–
Common shares issued for mineral properties	29,000	1,245,163	42,000

11. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share was 80,519,000 (2006 – 53,749,000; 2005 – 23,232,000). Outstanding stock options, warrants and agent unit options have not been considered in the computation of diluted loss per share as the result is anti-dilutive.

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12. INCOME TAXES

In assessing the realization of the Company's future income tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

(a) The significant components of the Company's future tax assets are as follows:

	2007	2006
	\$	\$
Future income tax assets:		
Non-capital tax losses carried forward	2,408,000	902,000
Capital losses carried forward	67,000	79,000
Share issue costs	314,000	305,000
Property and equipment	3,000	1,000
Canadian exploration expenses	183,000	193,000
Foreign exploration expenses	3,635,000	2,188,000
Total gross future income tax assets	6,610,000	3,668,000
Valuation allowance	(6,610,000)	(3,668,000)
Net future income tax assets	—	—

(b) As at October 31, 2007, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of \$7,407,000 expiring as follows:

	\$
2008	171,000
2009	365,000
2010	555,000
2014	247,000
2015	651,000
2026	1,867,000
2027	3,551,000
	<u>7,407,000</u>

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2007, 2006 AND 2005****(Expressed in Canadian Dollars)**

13. RELATED PARTY BALANCES AND TRANSACTIONS**(a) Advances to Related Parties**

As at October 31, 2007, advances to related parties consists of \$19,632 (2006 – \$nil) advanced to officers of the Company for travel expenses to be incurred on behalf of the Company. These amounts are non-interest bearing and will be applied in the future against travel expenses incurred by the officers on behalf of the Company.

(b) Due to Related Parties

As at October 31, 2007, due to related parties consists of \$nil (2006 – \$5,106) payable to an officer of the Company for management fees, \$79,761 (2006 - \$nil) payable to officers of the Company for travel expenses incurred on behalf of the Company, and \$nil (2006 - \$160,699) payable to a director of the Company for exploration expenditures. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

(c) Related Party Transactions

During the period ended October 31, 2007 the Company entered into the following transactions with related parties:

- (i) A company controlled by a director of the Company incurred \$2,009,143 (2006 – \$1,022,893; 2005 - \$228,635) in exploration expenditures on behalf of the Company for which the company is subsequently reimbursed.
- (ii) Companies controlled by officers of the Company earned management fees of \$243,600 (2006 – \$191,800; 2005 - \$109,100).
- (iii) Officers and a company controlled by an officer incurred \$668,894 (2006 - \$116,623; 2005 - \$65,216) of travel expenses on behalf of the Company for which they are subsequently reimbursed.
- (iv) The Company subleases office premises to related parties (see Note 15(c)).

All of the above noted transactions have been in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

14. FINANCIAL INSTRUMENTS**(a) Fair Value of Financial Instruments**

The Company has various financial instruments including cash and cash equivalents, short-term investments, receivables, advances to related parties, deposits, accounts payable and accrued liabilities and due to related parties. The carrying values of these financial instruments approximate their fair values due to the near-term maturity of these financial instruments.

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14. FINANCIAL INSTRUMENTS (continued)**(b) Concentrations of Business Risk**

The Company maintains a majority of its cash and cash equivalents and short-term investments with a major Canadian financial institution. The Company maintains the remainder of its cash and cash equivalents with a major Mexican financial institution. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

As the Company operates in an international environment, some of the Company's transactions are denominated in currencies other than the Canadian dollar. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations.

15. COMMITMENTS

(a) Pursuant to the terms of the option agreements for the Santa Monica and San Juan properties, the Company is committed to incurring exploration expenditures on the properties within the time periods specified in the agreements. See Notes 5(b) and (c) for details.

(b) On February 20, 2006, the Company entered into a joint lease agreement with an unrelated third party to lease office premises commencing July 1, 2006 for a term of five years. The lease commitment is shared equally between the two parties. The Company's portion of the lease payments for the remaining term of the lease is as follows:

	\$
2008	70,000
2009	70,000
2010	70,000
2011	46,700

(c) On April 16, 2007, the Company entered into a lease agreement, amended June 1, 2007, to lease office premises commencing June 1, 2007 for a term of three years. The Company's gross lease payments for the remaining term of the lease are as follows:

	\$
2007	52,380
2008	52,380
2009	30,540

The Company subleases these premises to two companies having directors in common with the Company. The Company expects to recover two-thirds of the above amounts over the remaining term of the lease.

16. SUBSEQUENT EVENTS

(a) The Board of Directors approved a shareholder rights plan ("Rights Plan") whereby the Company will issue one right (a "Right") effective December 4, 2007 for each common share outstanding as at December 4, 2007 and each common share issued in the future subject to the terms of the Rights Plan. The Rights issued under the Rights Plan become exercisable only if a person or entity acquires or announces its intention to acquire 20% or more of the common shares of the Company without complying with the "Permitted Bid" provisions of the Rights Plan or without the approval of the Company's board of directors.

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16. SUBSEQUENT EVENTS (continued)

- (b) On January 21, 2008, the Company amended its incentive stock option plan. Under the amended plan, the board of directors has the discretion to issue the equivalent of up to 19,438,030 shares. The amended stock option plan is subject to disinterested shareholders approval which will be sought at the Company's upcoming annual and special meeting to be held on March 13, 2008. Options granted under the amended plan may not be exercised until disinterested shareholders approval is received.
- (c) On January 21, 2008, the Company announced that it had granted stock options to consultants to purchase a total of 150,000 common shares at an exercise price of \$1.52 per share for a period of one year under the terms of the Company's amended incentive stock option plan. The options are subject to disinterested shareholders approval which will be sought at the Company's upcoming annual and special meeting to be held on March 13, 2008. These options may not be exercised until disinterested shareholders approval is received. All options will vest immediately upon receipt of shareholder approval.
- (d) From November 1, 2007 to February 1, 2008, a total of 666,875 common shares were issued subject to the exercise of stock options and warrants for gross proceeds of \$360,825.

17. RESTATEMENT OF PRIOR PERIODS DUE TO CORRECTION

During the year ended October 31, 2006, the Company identified that it had recognized higher than appropriate cumulative amounts of compensation cost, incurred pursuant to the grant of stock options, as stock-based compensation expense during the years ended October 31, 2005 and 2004. As a result, the Company restated its financial statements resulting in a decrease of \$257,309 in deficit and contributed surplus as at October 31, 2005. The effects of this restatement on the Company's financial statements for the year ended October 31, 2005 are as follows:

	Previously Reported	Adjustment	Restated
	\$	\$	\$
Statement of Operations and Deficit:			
Stock-based compensation	459,418	(322,768)	136,650
Loss for the year	(2,930,983)	322,768	(2,608,215)
Deficit, beginning of year	(4,441,426)	(65,459)	(4,506,885)
Deficit, end of year	(7,372,409)	257,309	(7,115,100)
Loss per share - basic and diluted	(0.11)	-	(0.11)

18. 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 in certain respects from those generally accepted in the United States of America ("US GAAP"). There are no material impacts on the Company's financial statements due to differences in Canadian and US GAAP.