ORKO SILVER CORP.
(An Exploration Stage Company)
Quarterly Report to Shareholders
For the Three and Six Months Ended April 30, 2010 and 2009

Management Discussion and Analysis
For the Three and Six Months Ended April 30, 2010 and 2009

(Dated June 14, 2010)

Management's Responsibility for Financial Reporting:

The accompanying financial statements have been prepared by management and are in accordance with Canadian Generally Accepted Accounting Principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the financial statements.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings.

The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports prior to filing.

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.

In particular, forward looking comments regarding the Company's plans and operations included in the "Description of Business" with respect to management's planned drilling and other activities, and in "Liquidity", "Commitment" and "Corporate Summary" regarding management's estimated ability to fund its projected general corporate costs of operations and its ability to raise additional funding through placement of the Company's common shares are plans and estimates of management only, and actual results and outcomes could be materially different.

Description of Business:

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 in Mexico, either directly or through its investment in Proyectos Mineros La Preciosa S.A. de C.V. ("Proyectos Mineros") (formerly Orko Silver de Mexico S.A. de C.V.).

Since 2005, the Company has focused its activities on a contiguous land package in Durango, Mexico comprised of the La Preciosa, Santa Monica and San Juan properties, together termed the "La Preciosa Project properties".

<u>Description of Business (continued):</u>

La Preciosa Property:

During the year ended October 31, 2006, the Company completed the acquisition of a 100% interest in the La Preciosa mineral property from a subsidiary of Goldcorp Inc. (formerly Wheaton River Minerals Ltd.). To earn the 100% interest, the Company incurred cumulative exploration expenditures of US$1,500,000 on the property, issued 50,000 common shares of the Company valued at $21,000 during the year ended October 31, 2005 and issued 2,378,750 common shares of the Company valued at $1,206,521 during the year ended October 31, 2006.

The La Preciosa property hosts tertiary-aged gold and silver bearing epithermal quartz vein systems, associated with barite and minor quantities of base metals. The vein trend is principally north/south, although there are subordinate, mineralized vein systems that run in an east/west direction. Veins have been traced for over 5 km along strike, with thicknesses of up to 40 metres encountered in drill intercepts.

In 2005, the Company retained a geophysics contractor to conduct an IP survey on the La Preciosa property and a number of targets were identified, and subsequently, management signed an agreement with Major Drilling de Mexico, S.A. de C.V. to undertake a drilling program, initially estimated at approximately 5,000 metres. Drilling commenced in March 2005, and based on the early results, the Company extended the program for an additional 5,000 metres, and engaged a second drill capable of greater depths. The results of this extension were encouraging, and the Company was able to release an Inferred Resource Estimate indicating an in-situ resource of approximately 22.3 million ounces of Silver – Equivalent, based on the assay results from 18 of its first 24 holes completed.

The Company then completed multiple phases of the drilling program on the La Preciosa property continuously through to December 2008 such that 354 holes were drilled in the main area, plus 12 peripheral target holes, for a total of 145,976 metres. At the site, five core storage buildings and one coarse rejects storage building were constructed and a new road access route to southern targets completed. The Company was able to extend the strike length to 3.5 km in the resource area and added a major vein deeper in the stratigraphy, named the Martha Vein. In addition, a geochemical program consisting of 1,167 soil samples was conducted over the southern part of the La Preciosa property. Multiple geochemical anomaly targets were identified for future follow up.

On February 18, 2009, the Company released an independent resource estimate, completed by Mine Development Associates (MDA) of Reno, Nevada, reporting an Indicated Resource of approximately 68.9 million ounces of Silver – Equivalent and an Inferred Resource of approximately 77.6 million ounces of Silver – Equivalent. This resource estimate was based on all holes drilled to that date.

Santa Monica Property:

During the year ended October 31, 2008, the Company completed the acquisition of a 51% interest in the Santa Monica mineral property from a subsidiary of Goldcorp Inc. To earn the 51% interest, the Company incurred cumulative exploration expenditures of US$1,000,000 on the property, issued 50,000 common shares of the Company valued at $21,000 during the year ended October 31, 2005, and issued 50,000 common shares of the Company valued at $29,000 during the year ended October 31, 2007.

The Company elected not to exercise an option to acquire an additional 24% interest in the property and instead, on October 10, 2008, entered into a new agreement to acquire the remaining 49% interest in the Santa Monica property in exchange for 2,000,000 common shares of the Company, valued at $1,480,000, which were issued on June 16, 2009.

Description of Business (continued):

Santa Monica Property (continued):

The Company completed an initial work program on the Santa Monica property, including mapping of the Mesa de los Panuqueños area, together with sampling of 706 rock float samples and 1,920 soil samples, plus an ASTER alteration satellite imagery study by PhotoSat Inc of Vancouver, BC. Following this, an IP geophysical survey by Peter Walcott & Associates Inc. of Vancouver, BC, completed 212 line-kilometres over the sample area in the northeast sector of the property. In 2008, the Company completed an initial drilling program on Santa Monica, consisting of 6 diamond drill holes totaling 2,498 metres.

San Juan Property:

During the year ended October 31, 2008, the Company completed the acquisition of a 75% interest in the San Juan mineral property from a subsidiary of Silver Standard Resources Inc. To earn the 75% interest, the Company incurred cumulative exploration expenditures of US$750,000 and issued 40,000 common shares of the Company valued at $32,000 during the year ended October 31, 2006.

On March 27, 2009, the Company entered into a new agreement to acquire the remaining 25% interest in the San Juan property in exchange for 306,263 common shares of the Company, valued at $226,635, which were issued on June 16, 2009.

An ASTER alteration satellite imagery study by PhotoSat Inc. of Vancouver, BC, for the San Juan property was completed, as well as geological mapping, extending the strike length of the Nancy Sur, La Plomosa, El Vaquero and La Plomosa Sur structures. In addition, an expanded geochemical survey was initiated and included 1,164 soil samples and 256 rock chip samples. The San Juan soil grid is contiguous with the soil grid on the southern end of La Preciosa. Multiple geochemical anomaly targets were identified for future follow up.

In late 2007, the Company initiated a 10,000 metre drilling program for the first phase of the San Juan project, initially targeted for La Plomosa and El Vaquero veins. Eight drill holes were completed in the La Plomosa target area for 3,372 metres.

Upon acquiring 100% interest in each of the La Preciosa, Santa Monica and San Juan properties, the title to each was registered to Proyectos Mineros, which was a wholly-owned Mexican subsidiary of the Company until April 13, 2009.

Joint Venture with Pan American Silver Corp.:

On April 13, 2009, the Company signed a binding letter of intent and on October 23, 2009, a definitive shareholders' agreement with Pan American Silver Corp. ("Pan American") for the joint development of the La Preciosa Project properties. The terms of the shareholders' agreement allow Pan American to earn a 55% equity interest in Proyectos Mineros, and thus, the La Preciosa Project properties, by contributing 100% of the funds necessary to develop and construct an operating mine.

Upon signing of the definitive shareholders' agreement, Proyectos Mineros issued additional common shares to Pan American with the effect of diluting the Company's percentage ownership to 45%. To reflect this change to one of only significant influence, the Company's accounting for Proyectos Mineros was changed to the equity method of accounting at that time, but with effect from April 13, 2009. Proyectos Mineros was formerly named Orko Silver de Mexico S.A. de C.V. but following the execution of the definitive shareholders' agreement, the current name was adopted to reflect the joint venture nature of the entity. The shares of Proyectos Mineros held by Pan American are in escrow pending completion of Phase I and Phase II as described below.

Description of Business (continued):

Joint Venture with Pan American Silver Corp. (continued):

To complete Phase I, Pan American is required to spend a minimum of US$5,000,000 prior to April 13, 2010, of which a minimum of US$2,500,000 must be spent to further explore the land package outside of the known resource zone. Furthermore, Pan American is required to spend an estimated additional US$11,000,000 on the project prior to April 13, 2012 to conduct resource definition drilling, acquire necessary surface rights, obtain permits, and ultimately prepare and deliver a feasibility study.

The Company and Pan American agreed to extend the deadline to spend US $2,500,000 on exploration outside of the known resource zone to April 13, 2011 because prolonged negotiations for surface access prevented drilling of the primary target until after the original deadline. To the end of May 2010, Pan American had spent a total of US $7.8 million on exploration, of which a total of US $1.3 million had been spent outside of the known resource zone.

To complete Phase II, Pan American will incur 100% of the expenditures estimated by the feasibility study for practical completion of a mine on one or more of the properties. All contributions made by Pan American for the development of the mineral properties are treated as additions to the contributed surplus account of Proyectos Mineros.

If Pan American fails to fund, or elects not to continue with the expenditures required during Phase I or Phase II, Pan American will have no further rights, interest, or obligations in Proyectos Mineros, and its shares, thus far held in escrow, will be surrendered and cancelled. If Pan American decides not to continue funding exploration expenditures and surrenders its shares in Proyectos Mineros after delivering a feasibility study that demonstrates a positive rate of return for the construction of a mine on the properties, then an agreement will be entered into pursuant to which, Pan American will receive a cash payment equal to 1.5% of the net smelter returns (“NSR”) commencing on commercial production. The Company can acquire the NSR for a cash payment of US$8,000,000 within three years from the date Pan American surrenders its shares in Proyectos Mineros. Following completion of Phase I and Phase II, the Company and Pan American will fund their proportionate share of all costs, expenses and liabilities incurred by Proyectos Mineros.

Coincident with the formation of the La Preciosa Project joint venture, on April 21, 2009, the Company issued 4,000,000 common shares to Pan American at $1.25 per share for gross proceeds of $5,000,000 under a non-brokered private placement. Pan American’s investment in the Company’s common shares is subject to certain anti-dilution and pre-emptive rights to participate in future financings of the Company.

Joint Venture Exploration Program:

In June 2009, the Company and Pan American commenced a comprehensive exploration and delineation drilling program at the La Preciosa Project. The initial delineation drilling is specifically designed to upgrade Martha Vein inferred resources to measured and indicated status, while the exploration drilling will focus on several untested prominent vein structures within the joint venture property, that had been previously discovered by the Company.

To June 2010, Pan American had drilled 215 holes, including 16 holes on exploration targets outside the resource area, for a total of over 57,822m. Delineation and geotechnical drilling is in the central area of the La Preciosa resource and consists of 169 holes. Drilling around the periphery of the resource includes 30 holes from the South and East Areas on the Martha Vein. The results to date of the exploration drilling from Baritina and El Vaquero, which are targets outside of the Martha vein resource, have been inconclusive. Further drilling has been done in both these areas as well as Orito Norte; results of which are pending.

Description of Business (continued):

Joint Venture Exploration Program (continued):

In addition to the drilling, Pan American has completed 57 trenches on regional exploration targets with the resultant collection of 557 samples. These results have encouraged Pan American to plan drilling other exploration targets. As well, a ground magnetometer survey was conducted along a northwestward projection of the main resource area, with east-west oriented lines totaling 70 line-kilometres with follow-up diamond drilling planned. A final petrological report is also expected at the end of June.

In December 2009, Pan American completed a first phase detailed metallurgical program, which included: work index tests, abrasion tests, mineralogical studies, gravity tests, flotation tests and cyanide leach tests. Additional flotation studies are still underway. Simple cyanide leaching yielded average silver recoveries of 91%, although the use of selective oxidants could further enhance these results. In addition, Pan American has been successful in reducing cyanide consumption to 1.6 kg/t. Lastly, the current test work has shown that with the use of oxidants, the leach cycle times can be reduced to 48 hours with minimal impact on ultimate silver recovery. A second phase metallurgical report was delivered to Pan American in May 2010 and third phase metallurgical test work is scheduled to begin in June 2010.

For the remainder of 2010, Pan American's planned exploration program includes an additional 28,000m of diamond drilling, with the majority of the drilling slated for further resource definition; additional magnetometer surveys; more detailed metallurgical testing; additional engineering studies, a preliminary economic assessment and continued community relations. Drill testing of additional exploration targets and the completion of a preliminary environmental impact study (EIS) are also integral parts of this year's planned program.

Integral to the planned exploration and perhaps the most important investigation ongoing by Pan American will be determining the optimal mining method should all the results of the accelerated work program remain positive. Currently, Pan American is investigating the possibilities of mining the deposit by underground methods or by a large open pit or possibly a combination of the two methods. Pan American will need the results from the 2010 work program to determine the best approach to mining at La Preciosa.

Pan American is working towards completing a full feasibility study towards the end of the year; more than a year ahead of the timing contemplated in the April 2009 binding letter of intent.

Ben Whiting, P.Geo., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report.

Results of Operations for the Three Months Ended April 30, 2010 and 2009:

As noted above, during April of 2009, the Company signed a binding letter of intent whereby exploration work on the La Preciosa Project properties is to be conducted and funded by Pan American. The reduced level of exploration conducted directly by the Company, combined with the Company's carried interest on effectively all exploration work on the La Preciosa Project properties, resulted in significantly lower exploration costs of $34,256 for the second quarter of 2010, compared to $452,064 incurred in the second quarter of last year, when the Company conducted exploration activities directly. Exploration costs for both periods were incurred entirely on the La Preciosa Project properties. The exploration costs incurred during the current quarter were comprised of geological costs of $30,086, incurred essentially to monitor the project's progress, and general exploration costs of $4,170.

As a result of the completion of the definitive shareholders' agreement with Pan American on October 23, 2009, whereby Pan American agreed to fund all future direct project expenditures, the Company's exploration costs declined dramatically from those in prior periods; however, Pan American incurred second quarter project expenditures totaling $2,401,832, of which the Company's 45% minority interest was $1,080,824. Accordingly, the Company recognized a loss in this quarter on its equity accounted investment in the amount of $1,080,824 to reflect its proportionate share of the loss. Because Proyectos Mineros was a consolidated subsidiary in the second quarter of 2009, there was no comparable amount recorded last year.

General operating costs totalled $723,353 for the second quarter, which were 74 per cent lower than those incurred in the second quarter of the prior year of $2,788,326. The decrease was primarily due to lower consulting fees of $12,142 and professional fees of $100,833 incurred in the current quarter, compared to $1,515,044 and $252,609 respectively in the comparable period of last year for costs incurred in connection with the binding letter of intent with Pan American and to satisfy regulatory requirements for TSX Venture Exchange approval of the agreement. Stock-based compensation expense was also higher in the prior year's second quarter when the Company recorded a $280,097 charge to reflect the imputed non-cash cost of stock options granted to directors, officers, staff and consultants whereas in the current quarter, the Company did not record any stock-based compensation expense.

Overall, the net loss for second quarter of 2010 amounted to $1,838,930 or $0.02 per share, compared to a loss in the second quarter of last year of $3,154,383 or $0.03 per share. The decrease is attributable primarily to the significantly lower consulting fees, although the effect of this was partially offset by the equity-accounting loss on the Company's investment in Proyectos Mineros.

Results of Operations for the Six Months Ended April 30, 2010 and 2009:

As was the case for the second quarter, the reduced level of exploration conducted directly by the Company, combined with the Company's carried interest on effectively all exploration work on the La Preciosa Project properties, resulted in significantly lower exploration costs of $64,622 for the first half of 2010, compared to $1,612,764 incurred in the first half of last year, when the Company conducted exploration activities directly. Exploration costs for both periods were incurred entirely on the La Preciosa Project properties. The exploration costs incurred during the first half of 2010 were comprised of geological costs of $56,162, incurred essentially to monitor the project's progress, and general exploration costs of $8,460.

During the first half of 2010, Pan American incurred project expenditures totaling $4,216,028 of which the Company's 45% minority interest was $1,897,212. Accordingly, the Company recognized a loss in this half on its equity accounted investment in the amount of $1,897,212 to reflect its proportionate share of the loss. Because Proyectos Mineros was a consolidated subsidiary in the first half of 2009, there was no comparable amount recorded last year.

Results of Operations for the Six Months Ended April 30, 2010 and 2009 (continued):

General operating costs totalled $1,296,701 for the first half, which were 65 per cent lower than those incurred in the first half of the prior year of $3,663,740. Again, the decrease was primarily due to lower consulting fees of $24,790 and professional fees of $151,010 incurred this year, compared to $1,528,000 and $318,134 respectively in the comparable period of last year for costs incurred in connection with the binding letter of intent with Pan American and to satisfy regulatory requirements for TSX Venture Exchange approval of the agreement. Stock-based compensation expense was also higher in the prior year when the Company recorded a $735,203 charge to reflect the imputed non-cash cost of stock options granted to directors, officers, staff and consultants whereas in the current period, the Company recorded stock-based compensation expense of $99,636.

Overall, the net loss for first half of 2010 amounted to $3,259,181 or $0.03 per share, compared to a loss in the first half of last year of $5,283,262 or $0.05 per share. The decrease is attributable to the significantly lower exploration costs and consulting fees, although the effect of these was partially offset by the equity-accounting loss on the Company's investment in Proyectos Mineros.

Statement of Mining and Exploration Expenditures to April 30, 2010:

The Company's mineral properties at April 30, 2010 are as follows:

	La Preciosa $	**Santa Monica $**	**San Juan $**	**La Preciosa Project Total $**
Balance, October 31, 2008	1,234,163	50,000	32,000	1,316,163
Acquisition costs	-	1,480,000	226,635	1,706,635
De-recognition of mineral properties on ceasing to consolidate Proyectos Mineros	(1,234,163)	(1,530,000)	(258,635)	(3,022,798)
Balance, October 31, 2009 and April 30, 2010	-	-	-	-

Statement of Mining and Exploration Expenditures to April 30, 2010 (continued):

Exploration expenditures on mineral properties for the six months ended April 30, 2010 and 2009 are as follows:

	La Preciosa Project Total	
	Six Months Ended April 30,	
	2010 $	2009 $
Drilling	-	555,210
Geological	56,162	482,725
Assay	-	178,121
Site costs	-	257,000
General exploration	8,460	139,708
	64,622	1,612,764

Selected Annual Financial Information:

	For the Year Ended October 31, 2009	For the Year Ended October 31, 2008	For the Year Ended October 31, 2007 (Restated)
Total revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:			
(i) total for the year	(12,168,354)	(21,549,564)	(12,925,523)
(ii) per share	(0.11)	(0.21)	(0.16)
(iii) per share fully diluted	(0.11)	(0.21)	(0.16)
Net Loss:			
(i) total for the year	(12,168,354)	(21,549,564)	(12,925,523)
(ii) per share	(0.11)	(0.21)	(0.16)
(iii) per share fully diluted	(0.11)	(0.21)	(0.16)
Total assets	5,912,175	6,445,921	10,364,538
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

The loss for 2009 includes approximately $1.7 million in drilling and other exploration costs incurred on the La Preciosa Project properties, down significantly from prior years. The loss also includes $1.5 million for consulting fees incurred to obtain fairness opinions required to enter the Pan American agreement and $4.3 million in stock-based compensation for options that were repriced or vested in 2009. In addition, the Company recorded a $1.5 million loss on its equity accounted investment in Proyectos Mineros.

The loss for 2008 includes approximately $14.7 million in drilling, up $6.8 million, and other exploration costs incurred on the La Preciosa Project properties. The loss also includes $4.2 million in stock-based compensation for options that vested in 2008.

The loss for 2007 includes approximately $7.9 million in drilling, up $3.2 million, and other exploration costs incurred on the La Preciosa Project properties. The loss also includes $3.1 million in stock-based compensation for options that vested in 2007.

Selected Quarterly Financial Information:

	4th Quarter Ended October 31, 2010	**3rd Quarter Ended July 31, 2010**	**2nd Quarter Ended April 30, 2010**	**1st Quarter Ended January 31, 2010**
(a) Revenue			Nil	Nil
(b) Loss for period			$ 1,838,930	$ 1,420,251
(c) Loss per share – basic and diluted			$ 0.02	$ 0.01
	4th Quarter Ended October 31, 2009	**3rd Quarter Ended July 31, 2009**	**2nd Quarter Ended April 30, 2009**	**1st Quarter Ended January 31, 2009**
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss for period	$ 4,097,844	$ 2,787,248	$ 3,154,383	$ 2,128,879
(c) Loss per share – basic and diluted	$ 0.04	$ 0.02	$ 0.03	$ 0.02
	4th Quarter Ended October 31, 2008	**3rd Quarter Ended July 31, 2008**	**2nd Quarter Ended April 30, 2008**	**1st Quarter Ended January 31, 2008**
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss for period	$ 6,096,421	$ 5,893,127	$ 6,316,447	$ 3,243,569
(c) Loss per share – basic and diluted	$ 0.06	$ 0.06	$ 0.06	$ 0.03

Exploration expenditures during each of the first two quarters of fiscal 2010 were substantially less than $0.1 million, due to the carried interest arrangement with Pan American. Stock-based compensation expense for the first quarter was $0.1 million. Other operating expenses amounted to $0.5 million and $0.7 million during the first and second quarter respectively. During the first and second quarters, the Company recorded a loss of $0.8 million and $1.1 million respectively on its investment in Proyectos Mineros to reflect its proportionate share of the investment's operating loss.

In an effort to preserve working capital, the Company halted its drill program on the La Preciosa property in the first quarter of 2009, and in April 2009, signed the binding letter of intent with Pan American. Consequently, drilling and other exploration costs decreased from $1.2 million in the first quarter of 2009 to $0.5 million, $0.1 million and essentially $nil for the second, third and fourth quarters respectively as Pan American funded all subsequent exploration work. Stock-based compensation recorded to reflect the computed value of stock options that vested was $0.5 million, $0.3 million, $1.9 million and $1.7 million in the first, second, third and fourth quarters respectively. Other operating expenses amounted to approximately $0.4 million in the first quarter of 2009, $2.5 million in the second quarter when the Company incurred significant consulting and legal fees related to reaching an agreement with Pan American, $0.8 million in the third quarter and $0.9 million in the fourth quarter.

Continuing the general trend of prior years, the level of drilling and other exploration activity increased through fiscal 2008, from $2.2 million in the first quarter to $3.8 million in the second quarter, $4.4 million in the third quarter and $4.3 million in the fourth quarter, incurred primarily by the continued drilling on the La Preciosa property. Stock-based compensation recorded to reflect the computed value of stock options that vested was $0.5 million in the first quarter, $2.0 million in the second quarter and $0.9 million in the third and fourth quarters each. Other operating expenses amounted to approximately $0.6 million in each of the quarters.

Outstanding Share Data:

Authorized: An unlimited number of Common shares without par value.

	Common Shares #	Share Capital $
Balance, October 31, 2008	107,727,716	45,887,061
Issued for cash:		
Non- brokered private placement, net of share issue costs	4,000,000	4,916,650
Exercise of options	425,000	209,250
Issued for property:		
Issued for the Santa Monica property	2,000,000	1,480,000
Issued for the San Juan property	306,263	226,635
Transferred from contributed surplus:		
Exercise of options	-	265,658
Balance, October 31, 2009	114,458,979	52,985,254
Issued for cash:		
Exercise of options	833,500	431,635
Transferred from contributed surplus:		
Exercise of options	-	384,719
Balance, April 30, 2010	115,292,479	53,801,608
Issued for cash:		
Exercise of options	10,000	4,500
Transferred from contributed surplus:		
Exercise of options	-	1,885
Balance, June 14, 2010	115,302,479	53,807,993

On April 21, 2009, the Company issued 4,000,000 common shares to Pan American at $1.25 per share for gross proceeds of $5,000,000 under a non-brokered private placement. The Company incurred cash share issuance costs of $83,350.

Options:

The Company has a 20% fixed stock option plan that allows the Board of Directors to grant stock options to directors, officers, employees and consultants of the Company. On April 2, 2009, the Company increased the maximum number of stock options available for grant to 21,570,543. Options are exercisable at a price that is not less than the market price on the date granted. Any option granted under the plan will vest fully upon the date of grant, subject to the discretion of the Board. Options issued to consultants providing investor relations services must vest in stages over a minimum of 12 months with no more than one quarter of the options vesting in any three-month period.

Stock option activity since October 31, 2008 is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding, October 31, 2008	17,100,000	$ 1.06
Granted	1,050,000	$ 0.54
Exercised	(425,000)	$ 0.49
Forfeited	(500,000)	$ 0.53
Outstanding, October 31, 2009	17,225,000	$ 0.53
Granted	200,000	$ 0.95
Exercised	(833,500)	$ 0.52
Forfeited	(75,000)	$ 0.80
Outstanding, April 30, 2010	16,516,500	$ 0.54
Exercised	(10,000)	$ 0.45
Outstanding, June 14, 2010	16,506,500	$ 0.54

On November 21, 2008, the Company announced its intent to reduce the exercise price of 13,190,000 incentive stock options as to 6,595,000 options to $0.45 per share and 6,595,000 options to $0.60 per share, subject to TSX Venture Exchange acceptance, as well as, in the case of Insiders of the Company, the approval of disinterested shareholders. Accordingly each of the subject option holders will have the exercise price of half their options reduced to $0.45 per share and the other half to $0.60 per share. The Company received TSX Venture Exchange acceptance and thus reduced the exercise price for 4,175,000 options not subject to disinterested shareholder approval. On May 7, 2009, the Company received disinterested shareholder approval for the remaining 9,015,000 options and thus reduced the exercise price for these options.

On February 2, 2009, the Company announced its intent to reduce the exercise price of 525,000 stock options from $1.55 to $0.61 per share, subject to TSX Venture Exchange acceptance, as well as, in the case of Insiders of the Company, the approval of disinterested shareholders. The Company received TSX Venture Exchange acceptance and thus reduced the exercise price for 325,000 options not subject to disinterested shareholder approval. On May 7, 2009, the Company received disinterested shareholder approval for the remaining 200,000 options and thus reduced the exercise price for these options.

The following table summarizes the stock options outstanding and exercisable at April 30, 2010:

Options (continued):

Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
$ 0.45 - $ 0.47	6,790,000	2.6	$ 0.45
$ 0.53 - $ 0.58	2,960,000	1.2	$ 0.55
$ 0.60 - $ 0.63	6,466,500	2.4	$ 0.60
$ 0.78	100,000	4.4	$ 0.78
$ 0.95	200,000	1.5	$ 0.95
	16,516,500	2.3	$ 0.54

The following table summarize the stock options outstanding and exercisable at June 14, 2010:

Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price
$ 0.45 - $ 0.47	6,780,000	2.4	$ 0.45
$ 0.53 - $ 0.58	2,960,000	1.0	$ 0.55
$ 0.60 - $ 0.63	6,466,500	2.3	$ 0.60
$ 0.78	100,000	4.2	$ 0.78
$ 0.95	200,000	1.4	$ 0.95
	16,506,500	2.1	$ 0.54

Warrants:

Warrant activity since October 31, 2008 is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 31, 2008	1,846,950	$ 1.15
Expired	(1,407,750)	$ 1.00
Outstanding, October 31, 2009 and April 30, 2010	439,200	$ 1.65
Expired	(439,200)	$ 1.65
Outstanding, June 14, 2010	-	-

Warrants (continued):

The following table summarizes the warrants outstanding at April 30, 2010:

Exercise Price	Number of Warrants	Issue Date	Expiry Date
$ 1.65	439,200	June 12, 2008	June 12, 2010

Liquidity:

The Company's financial position decreased from the opening level of $2,015,204, comprised of cash on hand of $212,541 and $1,802,663 in a short-term investment to the period-end level of $1,215,249, comprised of cash on hand of $11,679 and $1,203,570 in a short-term investment.

The net loss for the period of $3,259,181, after adjusting for non-cash items and changes in non-cash working capital accounts, amounted to a $1,231,439 cash requirement.

To partially fund this cash requirement, the Company redeemed $600,000 from its short-term investment in the period.

In addition, the Company issued 833,500 shares on the exercise of options receiving proceeds of $431,635.

In summary, the aggregate net cash inflows from financing activities during the first half of 2010, which totalled $431,635, and the drawdown of the Company's short-term investment by $600,000 essentially funded the adjusted cash operating loss for the period of $1,231,439. The shortfall, amounting to $200,862, decreased the opening financial position such that cash on hand of $11,679 and a short-term investment of $1,203,570 remained at the end of the period available to fund the Company's ongoing corporate activities.

Commitment:

On June 16, 2009, the Company entered into an agreement to lease office premises commencing October 1, 2009 and expiring on March 30, 2013. The Company's gross lease payments, including operating costs and property taxes, for the remaining term of the lease are as follows:

	$
2010	121,903
2011	243,805
2012	243,805
2013	101,585

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

Corporate Summary:

At this time, management believes it has adequate working capital to meet its short-term corporate operating obligations and the commitment noted above with respect to its leasing obligations.

While there has been great volatility in the stock markets, which would raise questions about the Company's ability to raise new capital and thereby sustain its operations, the Company has received indications from current and interested investors of their willingness to invest further in the Company due to its progress to date and the formation of the joint venture with Pan American to develop the La Preciosa Project whereby Pan American will fund essentially all project expenditures through to production. Furthermore, there have recently been numerous public financings completed by major mining companies and by junior companies, adding further support to this market-receptive perspective. However, there is no certainty that the Company will be successful in its efforts to raise capital if needed, which would cause the Company to reconsider its viability as a going concern at that time and how best to sustain a reduced level of operations, pending a return to better market conditions where a financing could be completed.

Capital Resources:

The Company had approximately $0.9 million in cash and a short-term investment as of June 14, 2010. The Company will continue to seek capital, as needed, through public markets by issuing common shares pursuant to private placements.

Off Balance Sheet Arrangements:

The Company has no material off balance sheet arrangements in place.

Related Party Transactions:

(a) As at April 30, 2010, $30,647 (2009 - $29,070) was advanced to the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, Executive Vice-President and Vice-President of Exploration of the Company for travel expenses to be incurred on behalf of the Company and this amount is included in advances to related parties;

(b) As at April 30, 2010, $11,520 (2009 - $4,624) is due to the Corporate Secretary and Vice-President of Exploration of the Company for travel expenses incurred on behalf of the Company and is included in due to related parties;

(c) During the six months ended April 30, 2010, geologist fees of $51,600 (2009 - $58,338) were paid or accrued to a company controlled by the Vice-President of Exploration for geological consulting services provided to the Company and performed by this individual.

(d) During the six months ended April 30, 2010, management fees of $175,300 (2009 - $180,240) were paid or accrued to companies controlled by the Chief Executive Officer, Executive Vice-President, Chief Financial Officer and Corporate Secretary for management services provided to the Company and performed by these individuals; and

(e) The Company subleases office premises to Orex Minerals Inc. and Blackcomb Minerals Inc., companies with common directors.

All advances and amounts due to related parties have repayment terms similar to the Company's other accounts receivable/payable, and are unsecured and without interest. All of the above transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Investor Relations:

In July 2008, the Company retained the services of two firms to provide corporate finance advisory services to the Company. The agreement with Raifin S.A., based in Switzerland, is subject to termination with 60 days notice. The agreement with Arcon Group Inc., based in Montreal, is subject to termination with 30 days notice.

In May 2009, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with Incorporated Communications Services ("ICS"), based in Los Angeles, California, is for a period of six months and may, at the Company's option, be extended following the completion of the initial term. In December 2009, the Company terminated the services of ICS.

Adoption of New Accounting Standards and Developments:

The Company has not adopted any new accounting standards during the current period.

Future Accounting Pronouncements:

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

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The IFRS standards will be effective for the Company for interim and annual financial statements relating to the Company's fiscal year beginning on or after November 1, 2011. The effective date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and year ended October 31, 2011. The Company continues its assessment of the impact of adopting IFRS and has not yet determined its full effect on its financial statements. The Company's staff members have completed coursework focused on the application of IFRS requirements related to the mining industry, and are currently completing the Company's detailed assessment of its accounts. As previously reported, management's assessment to date indicates that there will be revisions to the Company's disclosures on adoption of IFRS, but there will be no major financial impact or accounting policy or procedural changes. Management anticipates that it will prepare its transition balance sheet as at November 1, 2010 immediately following its audit of fiscal 2010, scheduled for December 2010. However, it is recognized that the IFRS requirements, in particular related to the mining industry, are evolving in advance of the transition date, and such changes may alter this preliminary assessment.

(b) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting 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 financial statements relating to fiscal years beginning on or after 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.

Critical Accounting Estimates:

In the preparation of these financial statements, the Company is required to make estimates and assumptions, which impact on the accounting and reporting of its assets, liabilities, revenues and expenses in the period. The critical accounting estimates arise in relation to the following:

(a) Mineral Properties

The initial value attributed to a property on acquisition and the ongoing reported value reflect management's assessment of the continuing interest it has for performing additional work and incurring the related additional expenditure to advance the information base on which it will determine the potential magnitude of mineralization and ultimately, whether it has economic value. If information is learned which, in management's view, impairs the ongoing level of its interest and consequent plans for further project work, the carrying value of each of the Company's mineral properties, on an individual basis, is adjusted to reflect the level of impairment experienced. Such information on a property would include a significant unfavourable change in the political, legal, regulatory, or title status, the environmental conditions, property accessibility, or disappointing geophysical, geochemical or assay results. The impairment adjustment would be computed, based on management's assumptions, estimates and judgment, to reduce the carrying value of each impaired property to an appropriate value based on the information, and ultimately to the net realizable value to the Company on sale or abandonment. Properties held by the Company's investment, Proyectos Mineros, are subject to these same criteria.

(b) Asset Retirement Obligations

The Company routinely assesses whether there is any need for property remediation on a property-by-property basis to determine whether there will be a need for future costs to be incurred when a property is abandoned. The Company relies on its professional, technical advisors to provide these assessments, drawing from their expertise, historical documentation and experience. To date, there have been no costs identified for future expenditure with respect to any of the properties held by the Company's investment, Proyectos Mineros.

(c) Impairment of Long-Lived Assets

The Company routinely assesses whether the carrying values of its long-lived assets continue to be appropriate and have not been impaired. When an impairment has been identified for an individual asset or group of assets, the individual or group carrying value is adjusted to reflect the degree of impairment experienced, and ultimately to reflect the net realizable value to the Company on sale or abandonment.

(d) Impairment of Investments

The Company routinely assesses whether the carrying values of its investments continue to be appropriate and have not been impaired. When an impairment has been identified for an investment, the carrying value is adjusted to reflect the degree of impairment experienced, and ultimately to reflect the net realizable value to the Company.

Critical Accounting Estimates (continued):

(e) Income Taxes

The Company calculates its income tax liabilities in accordance with prevailing income tax regulations in Canada and other jurisdictions in which it operates, and in doing so, makes assumptions, interpretations and estimates on the treatment, timing and eligibility of various costs in the determination. The Company also makes interpretations of the regulations and their applicability to the Company's circumstances. Finally, the Company makes assumptions and estimates on the overall tax impact on the Company's operations.

(f) Stock-Based Compensation

The Company awards options as compensation to its directors, officers, staff and consultants, and determines the expense associated with such option grants using the Black-Scholes pricing model in accordance with Canadian accounting practice. The application of this model requires that a number of input variables be determined by the Company for each reporting period using historical data and assumptions and estimates.

Risks and Uncertainties:

(a) Exploration and Development Risks:

Resource exploration and development has inherently considerable risk and is therefore highly speculative in nature. The Company's exploration activity to date involves procedures which are not definitive and are subject to considerable interpretation and inference, and consequently the results reported are subjective in nature and may not reflect actual mineralization present. Further, there is no indication that the success achieved to date will continue, and that the Company will be able to report sufficient mineralization for there to be economically recoverable quantities of minerals determined at some point in the future.

In addition, the Company's operations rely on the availability of skilled labour and materials in the region of its operations, and there can be no assurance that these resources will continue to be available and available at cost levels which will be affordable to the Company.

(b) Uncertainty of Title Risks:

The Company's investment, Proyectos Mineros, has obtained clear title of its properties. However, the procedures taken to ensure clear title may not be sufficient, and future challenge of title may result, due to unregistered prior entitlements or prior regulatory non-compliance.

(c) Environmental Risks:

The Company, either directly or through its investment in Proyectos Mineros, manages its exploration and development activities to minimize environmental damage at all times, and it endeavours to remediate the sites and facilities immediately upon withdrawal from any particular location to the full satisfaction of landowners and governmental requirements. However, there remains the risk that some aspect of our activity may have caused or will cause environmental damage, and the Company or Proyectos Mineros will need to further remediate the land and facilities and incur added costs in so doing.

Risks and Uncertainties (continued):

(d) Political and Regulatory Risks:

The Company's operations and the operations of its investment, Proyectos Mineros, are subject to control and scrutiny by several levels of government, various departments within each level, and corporate, environmental and mining regulations. Consequently, the Company and Proyectos Mineros are exposed to a large array of conditions to satisfy on a daily basis in its activities, and considerable risk exists that the Company or Proyectos Mineros will fail to be fully compliant in all respects in this political and regulatory environment.

(e) Foreign Exchange Risks:

The Company incurs expenditures in foreign currencies and consequently is exposed to foreign exchange risks due to changes in the value of the Canadian dollar with respect to these foreign currencies. A weakening of the Canadian dollar with respect to these foreign currencies would increase the costs of the Company's activities in these foreign jurisdictions. The Company does not hedge its exposures to movements in the exchange rates at this time.

(f) Financial Risks:

The Company has financed its exploration and development activities through the sale of its common shares. The Company has a history of losses from its activities to date and has incurred an operating loss from its current operations this year. The Company does not expect to earn revenues in the foreseeable future, which would offset the costs of its exploration and development activities, and consequently expects to continue to report operating losses for the foreseeable future. The Company plans to continue to finance its day-to-day operations through the sale of common shares of its capital. However, there is no assurance that the Company will be successful in selling its common shares to the investing public, and thereby raise sufficient capital to continue its activities. Further, there is no assurance that the capital markets will be available, and will support the sale of resource-based common shares in the future.

(g) Mineral Price Risks:

Mineral prices, in particular gold and silver, are volatile, and have risen and fallen in recent periods. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day and hour to hour. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

Financial Instruments:

The Company has designated its cash and short-term investment as held-for-trading; receivables and advances to related parties as loans and receivables; and accounts payable and accrued liabilities and due to related parties as other liabilities.

(a) Fair Value

The carrying values of cash, short-term investment, receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments. The fair values of advances to related parties and due to related parties have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm's length.

The Company's measurement of fair value of financial instruments at April 30, 2010 in accordance with the fair value hierarchy is as follows:

Financial Instruments (continued):

	Total $	Level 1 $	Level 2 $	Level 3 $
Assets:				
Cash	11,679	11,679	-	-
Short-term investment	1,203,570	1,203,570	-	-
	1,215,249	1,215,249	-	-

The Company's cash and short-term investment are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

As the carrying values of the Company's remaining financial instruments approximate their fair value, disclosure is not made of their level in the fair value hierarchy.

(b) Credit Risk

The Company is exposed to credit risk with respect to its cash, short-term investment, and advances to related parties. This risk is minimized as the cash and short-term investment have been placed with a major Canadian financial institution. Credit risk on receivables is minimized as they primarily consist of amounts due from government agencies.

Concentration of credit risk exists with respect to the Company's cash and short-term investment as all amounts are held at a major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	April 30, 2010 $	October 31, 2009 $
Bank accounts	11,679	212,541
Short-term investment	1,203,570	1,802,663
	1,215,249	2,015,204

The short-term investment currently earns interest at 0.30% and matures on May 3, 2010.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company has sufficient cash and short-term investment at April 30, 2010 in the amount of $1,215,249 (2009 - $2,015,204) in order to meet its short-term business requirements. At April 30, 2010, the Company had accounts payable and accrued liabilities of $25,192 (2009 - $52,555) and due to related parties of $11,520 (2009 - $4,624), which are due in the third quarter of fiscal 2010.

Financial Instruments (continued):

(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and short-term investment consist of cash held in bank accounts and a guaranteed investment certificate that earns interest at 0.30%. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of April 30, 2010. Future cash flows from interest income on cash and short-term investment will be affected by interest rate fluctuations. At April 30, 2010, a hypothetical change of 1% in the interest rate would have a $3,000 effect on net income and comprehensive income in the upcoming quarter.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or 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 currency risk. The Company is not exposed to significant other price risk.

Subsequent Events:

(a) During the period of May 1, 2010 to June 14, 2010, the Company issued 10,000 common shares on the exercise of stock options for gross proceeds of $4,500.

(b) On June 12, 2010, 439,200 share purchase warrants, exercisable at $1.65, reached the end of their term and expired unexercised

Additional information:

Additional information relating to the Company may be accessed on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.