

ORKO SILVER CORP.
(An Exploration Stage Company)
Quarterly Report to Shareholders
For the Three Months Ended January 31, 2011 and 2010

Management Discussion and Analysis
For the Three Months Ended January 31, 2011 and 2010

(Dated March 21, 2011)

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 activities, and in "Liquidity", "Commitment" and "Corporate Summary" regarding management's estimated ability to fund its projected general corporate costs of operations 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".

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Description of Business (continued):

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.

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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.

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Description of Business (continued):

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

To complete Phase I, Pan American was required to spend a minimum of US\$5,000,000 prior to April 13, 2010, of which a minimum of US\$2,500,000 was to be spent to further explore the land package outside of the known resource zone. Pan American satisfied both of these spend requirements during fiscal 2010. 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. To the end of January 2011, Pan American had spent a total of US\$14.1 million on exploration, of which a total of US\$3.5 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 cash payments 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 was specifically designed to upgrade Martha Vein inferred resources to measured and indicated status, while the exploration drilling focused on several untested prominent vein structures within the joint venture property that had been previously discovered by the Company.

To the end of December 2010, Pan American had drilled 363 holes, including 57 holes on exploration targets outside the resource area, for a total of over 91,096m. Delineation and geotechnical drilling is in the central area of the La Preciosa resource and consists of 269 holes. Drilling around the periphery of the resource includes 37 holes from the South and East Areas on the Martha Vein. The results of the exploration drilling from Baritina, Baritina Norte and El Vaquero, which are targets outside of the Martha vein resource, have been inconclusive. The results of drilling in the El Orito Norte and Nancy areas were positive and these areas merit further exploration.

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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. 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. A petrological report has been completed.

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 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.

Pan American has commenced surface mapping and sampling of the Carina property, a 12,147 hectare silver-gold property which it recently optioned from Canasil Resources Inc. Since the Carina property is contiguous to the La Preciosa Project, if Pan American completes the terms of the option agreement, any interest it acquires in the property will be assigned to Proyectos Mineros, as required under the definitive shareholders' agreement. Also in 2011, Agua del Guadiana was contracted to conduct water well pump tests.

For the first half of 2011, Pan American is examining various scenarios for the economic evaluation of La Preciosa, requiring coordination of the work of external engineering studies. Golder Associates Ltd. has been contracted to conduct geotechnical engineering; M-3 Engineering has been contracted for plant and tailings design, as well as infrastructure costing; Quantitative Group Pty. Ltd. has been contracted to conduct geostatistical evaluation and resource modeling; SGS Mineral Services has been contracted to conduct additional metallurgical studies; and Clifton Associates Ltd. has been contracted for environmental studies.

Integral to the planned exploration and perhaps the most important investigation ongoing by Pan American will be determining the optimal mining method. 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 has contracted Snowden Group to conduct the analysis required to make this determination. The Company recently retained the services of AMEC Americas Limited to provide a technical review of the various engineering studies and analyses mentioned above. Pan American is working towards completing a preliminary assessment for La Preciosa in the second quarter of 2011.

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

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Results of Operations for the Three Months Ended January 31, 2011 and 2010:

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 exploration costs of \$34,836 for the first quarter of 2011 compared to \$30,366 during the first quarter of last year. Exploration costs for both periods were incurred entirely on the La Preciosa Project properties. The exploration costs incurred during the first quarter of this year were comprised of geological costs of \$30,878, incurred essentially to monitor the project's progress, and general exploration costs of \$3,958.

During the fourth quarter of fiscal 2010, the Company changed its method of accounting for Pan American's contributions to Proyectos Mineros. Previously, the amount was reflected as additional contributed surplus. The Company now accounts for this as a gain arising on capital contributions in the statements of operations. The change in accounting has been applied retrospectively. The impact of this change in the accounting method resulted in a decrease in net loss and comprehensive loss for the first quarter of 2010 from \$1,420,251 to \$669,284.

Pan American, through Proyectos Mineros, incurred first quarter project expenditures totaling \$1,390,779, of which the Company's 45% minority interest was \$625,851. This was partially offset by a gain of \$556,378 due to Pan American's capital contributions to Proyectos Mineros. Accordingly, the Company recognized a loss in the first quarter of 2011 on its equity accounted investment in the amount of \$69,473 to reflect its proportionate share of its investment, compared to a loss of \$65,421 in the first quarter of last year.

General operating costs totalled \$781,465 for the first quarter of 2011, which were 36 per cent higher than those incurred in the first quarter of the prior year of \$573,348. Due to the Company's efforts to meet with its European and US investors, travel costs of \$151,475 and investor relations costs of \$181,544 were higher compared to \$68,271 and \$141,349 respectively incurred during the first quarter of 2010. As well, management fees of \$147,000 were up from \$84,750 incurred last year, reflecting the impact of salary adjustments for key personnel implemented late last year. Stock-based compensation expense was slightly higher in the first quarter as the Company recorded a \$119,974 charge to reflect the imputed non-cash cost of stock options granted to directors, officers, staff and consultants whereas in the first quarter of 2010, the Company recorded stock-based compensation expense of \$99,636. Other costs for the first quarter were consistent with those incurred in the prior year.

Overall, the Company had a loss for the first quarter of 2011 amounting to \$847,470 or \$0.01 per share, compared to a loss in the first quarter of last year of \$669,284 or \$0.01 per share. The increase for the current quarter was attributable to the higher costs for investor relations, management fees and travel.

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Selected Annual Financial Information:

	For the Year Ended October 31, 2010 \$	For the Year Ended October 31, 2009 \$	For the Year Ended October 31, 2008 \$
Total revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:			
(i) total for the year	(2,805,904)	(10,399,029)	(21,549,564)
(ii) per share	(0.02)	(0.09)	(0.21)
(iii) per share fully diluted	(0.02)	(0.09)	(0.21)
Net Loss:			
(i) total for the year	(2,805,904)	(10,399,029)	(21,549,564)
(ii) per share	(0.02)	(0.09)	(0.21)
(iii) per share fully diluted	(0.02)	(0.09)	(0.21)
Total assets	18,139,745	5,912,175	6,445,921
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

The loss for 2010 includes approximately \$0.1 million in exploration costs incurred on the La Preciosa Project properties, down significantly from prior years as exploration was almost exclusively conducted by Pan American. Other general expenses for 2010 amounted to \$3.0 million. In addition, the Company recorded a \$0.3 million gain on its equity accounted investment in Proyectos Mineros.

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 \$0.3 million gain 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.

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Selected Quarterly Financial Information:

	4th Quarter Ended October 31, 2011	3rd Quarter Ended July 31, 2011	2nd Quarter Ended April 30, 2011	1st Quarter Ended January 31, 2011
(a) Revenue				Nil
(b) Loss for period				\$ 847,470
(c) Loss per share – basic and diluted				\$ 0.01
	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	Nil	Nil
(b) Loss for period	\$ 580,700	\$ 1,053,969	\$ 501,951	\$ 669,284
(c) Loss per share – basic and diluted	\$ 0.00	\$ 0.01	\$ 0.00	\$ 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	\$ 2,328,519	\$ 2,787,248	\$ 3,154,383	\$ 2,128,879
(c) Loss per share – basic and diluted	\$ 0.02	\$ 0.02	\$ 0.03	\$ 0.02

Exploration expenditures during the first quarter of fiscal 2011 were again 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 and other operating expenses amounted to \$0.7 million. During the first quarter, the Company recorded a loss of \$0.1 million on its investment in Proyectos Mineros to reflect its proportionate share of the investment.

Exploration expenditures during each quarter 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, third and fourth quarter was \$0.1 million each. Other operating expenses amounted to \$0.5 million, \$0.7 million \$0.6 million and \$0.9 million during the first, second, third and fourth quarter respectively. During the first, second, third and fourth quarter, the Company recorded a gain (loss) of \$(0.1) million, \$0.3 million, \$(0.4) million and \$0.5 million respectively on its investment in Proyectos Mineros to reflect its proportionate share of the investment.

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.

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Outstanding Share Data:

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

	Common Shares #	Share Capital \$
Balance, October 31, 2009	114,458,979	52,985,254
Issued for cash:		
Non-brokered private placement, net of share issue costs	700,000	1,082,689
Brokered private placement, net of share issue costs	8,500,000	12,566,499
Exercise of options	973,500	507,435
Transferred from contributed surplus:		
Exercise of options	-	426,579
Balance, October 31, 2010	124,632,479	67,568,456
Issued for cash:		
Exercise of warrants	357,000	589,050
Exercise of options	2,301,500	1,296,565
Transferred from contributed surplus:		
Exercise of warrants	-	329,884
Exercise of options	-	876,176
Balance, January 31, 2011	127,290,979	70,660,131
Issued for cash:		
Exercise of warrants	153,000	252,450
Exercise of options	407,500	396,625
Transferred from contributed surplus:		
Exercise of warrants	-	141,379
Exercise of options	-	192,849
Balance, March 14, 2011	127,851,479	71,643,434

- (a) On September 21, 2010, the Company issued 8,500,000 common shares at \$1.65 per share for gross proceeds of \$14,025,000 under a brokered private placement. The Company issued 510,000 share purchase warrants as a commission. Each share purchase warrant entitles the holder thereof to purchase one additional common share until September 21, 2012 at a price of \$1.65 per common share. The fair value of the warrants was computed to be \$471,263 using the Black-Scholes option pricing model and was recorded as a non-cash share issuance cost. The Company paid cash commissions of \$841,500 and incurred other cash share issuance costs of \$145,738.
- (b) On September 21, 2010, the Company issued 700,000 common shares at \$1.65 per share for gross proceeds of \$1,155,000 under a non-brokered private placement. The Company paid cash commissions of \$69,300 and incurred cash share issuance costs of \$3,011.

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Outstanding Share Data (continued):

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, 2009 is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding, October 31, 2009	17,225,000	\$ 0.53
Granted	825,000	\$ 1.46
Exercised	(973,500)	\$ 0.52
Forfeited	(75,000)	\$ 0.80
Outstanding, October 31, 2010	17,001,500	\$ 0.58
Exercised	(2,301,500)	\$ 0.56
Outstanding, January 31, 2011	14,700,000	\$ 0.58
Exercised	(407,500)	\$ 0.97
Forfeited	(25,000)	\$ 0.55
Outstanding, March 14, 2011	14,267,500	\$ 0.57

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Options (continued):

The following table summarizes the stock options outstanding and exercisable at January 31, 2011:

Options Outstanding				Options Exercisable		
Exercise Price	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 0.45 - \$ 0.47	6,330,000	1.8	\$ 0.45	6,330,000	\$ 0.45	
\$ 0.55 - \$ 0.58	1,400,000	0.7	\$ 0.55	1,400,000	\$ 0.55	
\$ 0.60 - \$ 0.61	6,095,000	1.7	\$ 0.60	6,095,000	\$ 0.60	
\$ 0.78 - \$ 0.95	300,000	1.7	\$ 0.89	300,000	\$ 0.89	
\$ 1.48 - \$ 1.75	575,000	3.0	\$ 1.61	312,500	\$ 1.52	
	14,700,000	1.7	\$ 0.58	14,437,500	\$ 0.56	

The following table summarize the stock options outstanding and exercisable at March 14, 2011:

Options Outstanding				Options Exercisable		
Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
\$ 0.45	6,210,000	1.7	\$ 0.45	6,210,000	\$ 0.45	
\$ 0.55 - \$ 0.58	1,375,000	0.6	\$ 0.55	1,375,000	\$ 0.55	
\$ 0.60 - \$ 0.61	6,095,000	1.6	\$ 0.60	6,095,000	\$ 0.60	
\$ 0.78	100,000	3.5	\$ 0.78	100,000	\$ 0.78	
\$ 1.48 - \$ 1.75	487,500	3.1	\$ 1.59	275,000	\$ 1.49	
	14,267,500	1.6	\$ 0.57	14,055,000	\$ 0.55	

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Warrants:

Warrant activity since October 31, 2009 is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding, October 31, 2009	439,200	\$ 1.65
Expired	(439,200)	\$ 1.65
Issued	510,000	\$ 1.65
Outstanding, October 31, 2010	510,000	\$ 1.65
Exercised	(357,000)	\$ 1.65
Outstanding, January 31, 2011	153,000	\$ 1.65
Exercised	(153,000)	\$ 1.65
Outstanding, March 14, 2011	-	\$ 1.65

The following table summarizes the warrants outstanding at January 31, 2011:

Exercise Price	Number of Warrants	Issue Date	Expiry Date
\$ 1.65	153,000	September 21, 2010	September 21, 2012

Liquidity:

The Company's financial position increased from the opening level of \$13,897,561, comprised of cash on hand of \$384,542 and \$13,513,019 in short-term investments to the period-end level of \$14,900,684, comprised of cash on hand of \$9,680,101 and \$5,220,583 in short-term investments .

The loss for the period of \$847,470, after adjusting for non-cash items and changes in non-cash working capital accounts, amounted to a \$877,246 cash requirement.

During the period, the Company issued 357,000 shares on the exercise of warrants, receiving proceeds of \$589,050 and issued 2,301,500 shares on the exercise of options, receiving proceeds of \$1,296,565.

The Company's redemptions of short-term investments during the period provided an additional \$8,287,500.

In summary, the aggregate net cash inflows from financing activities during the period, which totalled \$1,885,615, fully funded the adjusted cash operating loss for the period of \$877,246. The residual cash inflow plus the net redemptions of short-term investments, in the amount of \$8,287,500, significantly strengthened the financial position during the period such that at the end of the period, \$14,900,684 was available to fund the Company's ongoing corporate activities, comprised of cash on hand of \$9,680,101 and \$5,220,583 in short-term investments.

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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:

	\$
2011	180,387
2012	240,516
2013	100,215

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:

Management believes the Company's current level of cash and short-term investments will be adequate to sustain the Company over the duration of the joint venture exploration and development program period with Pan American Silver Corp., and will meet other corporate needs in this intervening period.

Capital Resources:

The Company had approximately \$14.9 million in cash and short-term investments as of March 14, 2011.

Off Balance Sheet Arrangements:

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

Related Party Transactions:

- (a) As at January 31, 2011, \$26,733 (2010 - \$2,729) was advanced to the Chief Executive Officer and the Executive Vice-President 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 January 31, 2011, \$nil (2010 - \$4,604) was due to officers of the Company for travel expenses incurred on behalf of the Company and is included in due to related parties;
- (c) During the three months ended January 31, 2011, geologist fees of \$25,800 (2010 - \$25,800) 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. As at January 31, 2011, \$2,826 (2010 - \$34,441) is payable to this company and is included in due to related parties;

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Related Party Transactions (continued):

- (d) During the three months ended January 31, 2011, management fees of \$147,000 (2010 - \$84,750) 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.

In September 2010, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with Zone Capital Partners, based in Laguna Hills, California, is for a period of six months and may, at the mutual agreement of the two parties, be extended following the completion of the initial term.

In October 2010, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with Chardan Capital Markets, LLC, based in New York City, New York, is for a period of 2 years.

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 has begun the planning and scoping phase of the transition to IFRS and intends to transition to IFRS financial statements during fiscal 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2012, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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Future Accounting Pronouncements (continued):

(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.

IFRS Changeover Plan Disclosure:

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (PAEs). The effective changeover date for the Company is November 1, 2011, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of fiscal 2012 including comparative IFRS financial results and an opening balance sheet as at November 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended October 31, 2012 with restated comparatives for the year ended October 31, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at November 1, 2010, any necessary conversion adjustments and reconciliations, preparation of fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, the IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

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IFRS Changeover Plan Disclosure (continued):

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Management intends to conduct an IFRS educational session for the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, identified to date by management, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

(a) Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

(b) Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the accelerated amortization method and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is currently using the estimate of forfeitures when determining the number of equity instruments expected to vest.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

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IFRS Changeover Plan Disclosure (continued):

(c) Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties are capitalized. Direct exploration and development costs are expensed as incurred until the mineral property is determined to be economically viable.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or choose to keep the Company's existing policy, if relevant and reliable.

Going forward under IFRS, management will decide whether or not to fully adopt IFRS 6, which may have a material impact on the Company's consolidated financial statements prepared under IFRS.

(d) Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost, while under Canadian GAAP, the Company has to carry PP&E on a cost basis and revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. Currently, management does not anticipate that there will be a material impact on the adoption of either IFRS model on the Company's consolidated financial statements prepared under IFRS.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and account for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

(e) Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently, the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements.

As events and conditions relevant to the Company change, management will need to re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances, which may have a material impact on the Company's consolidated financial statements prepared under IFRS.

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IFRS Changeover Plan Disclosure (continued):

(f) Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS, subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12 "Income Taxes" will not have a significant impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the potential impact of the IFRS adoption at the transition date on its financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company's current operations, it is management's opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required for its consolidated financial statements prepared under IFRS.

The Company currently does not have any debt covenants, capital requirements, compensation arrangements, or material contracts that impact its current business activities that would affect the conversion to IFRS.

Management, members of the board of directors and audit committee have the required financial reporting expertise to ensure the adequate organization and transition to IFRS.

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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, Proyecto 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, Proyecto 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.

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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.

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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 investments 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 investments, receivables (excluding value added taxes receivable), 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 as there is no market for such instruments.

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Financial Instruments:

(a) Fair Value (continued)

The Company's measurement of fair value of financial instruments at January 31, 2011 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Assets:				
Short-term investments	5,220,583	5,220,583	-	-

The Company's short-term investments are classified within Level 1 of the fair value hierarchy, as 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 investments and advances to related parties. This risk is minimized as the cash and short-term investments have been placed with major Canadian financial institutions. The Company is not exposed to credit risk on its receivables 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 investments as all amounts are held at major Canadian financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	January 31, 2011	October 31, 2010
	\$	\$
Bank accounts	9,680,101	384,542
Short-term investments	5,220,583	13,513,019
	14,900,684	13,897,561

The short-term investments are comprised of two guaranteed investment certificates ("GIC") which are cashable within 30 days without a significant risk of change in value. The GICs earn interest at rates of 1.20% to 1.30% and mature on December 17, 2011.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At January 31, 2011, the Company had accounts payable and accrued liabilities of \$48,556 (2010 - \$63,527), which are due in the second quarter of fiscal 2011, and due to related parties of \$2,826 (2010 - \$39,045), which is payable on demand.

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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 investments consist of cash held in bank accounts and two guaranteed investment certificates that earn interest at 1.10%. 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 January 31, 2011. Future cash flows from interest income on cash and short-term investments will be affected by interest rate fluctuations. At January 31, 2011, a hypothetical change of 1% in the interest rate would have a \$37,000 effect on net loss and comprehensive loss in the upcoming quarter.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on its investment in Proyectos Mineros. Expenditures by Proyectos Mineros are incurred in US dollars and Mexican pesos. At January 31, 2011, a hypothetical change in the foreign exchange rate between the Canadian and US dollars of 10% would have a \$7,000 effect on net loss and comprehensive loss. A hypothetical change in the foreign exchange rate between the Canadian dollar and Mexican peso of 10% would have a \$300,000 effect on net loss and comprehensive loss.

(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) The Company issued 407,500 common shares on the exercise of stock options for gross proceeds of \$396,625.
- (b) The Company issued 153,000 common shares on the exercise of warrants for gross proceeds of \$252,450.

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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.