
ORKO SILVER CORP.
(An Exploration Stage Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2008, 2007 AND 2006
(Expressed in Canadian Dollars)



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated balance sheets of Orko Silver Corp. (an exploration stage company) as at October 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years ended October 31, 2008, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2008 and 2007 and the results of its operations and its cash flows for the years ended October 31, 2008, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants
Vancouver, British Columbia
February 11, 2009

COMMENTS BY AUDITORS ON CANADA-UNITED STATES REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition of an explanatory paragraph when there is a restatement of prior year financial statements, such as the changes described in Note 4 to the financial statements. Our report to the shareholders is expressed in accordance with Canadian reporting standards which do not require a reference to restated financial statements of prior years when the restatement is properly accounted for and adequately disclosed in the financial statements.

Manning Elliott LLP

Chartered Accountants
Vancouver, British Columbia
February 11, 2009

ORKO SILVER CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT OCTOBER 31, 2008 AND 2007
(Expressed in Canadian Dollars)

	2008	(Restated - Note 4) 2007
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	424,871	1,035,735
Short-term investments (Note 5)	3,000,000	7,000,000
Receivables (Notes 5 and 17(b))	1,085,372	441,271
Prepaid expenses and deposits	175,471	93,648
Advances to related parties (Note 16(a))	15,059	19,632
	<u>4,700,773</u>	<u>8,590,286</u>
DEPOSITS	27,154	27,154
PROPERTY AND EQUIPMENT (Note 6)	401,831	430,935
MINERAL PROPERTIES (Note 7)	1,316,163	1,316,163
	<u>6,445,921</u>	<u>10,364,538</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,290,447	1,179,804
Due to related parties (Note 16(b))	36,707	79,761
	<u>1,327,154</u>	<u>1,259,565</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	45,887,061	31,847,472
CONTRIBUTED SURPLUS (Note 9)	8,171,246	4,647,477
DEFICIT	(48,939,540)	(27,389,976)
	<u>5,118,767</u>	<u>9,104,973</u>
	<u>6,445,921</u>	<u>10,364,538</u>

COMMITMENTS (Notes 7 and 19)
SUBSEQUENT EVENTS (Note 20)

Approved on Behalf of the Board of Directors:

"Gary Cope" Director
Gary Cope

"Ross Wilmot" Director
Ross Wilmot

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

ORKO SILVER CORP.**(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

	2008	(Restated - Note 4) 2007	(Restated - Note 4) 2006
	\$	\$	\$
REVENUE	—	—	—
EXPENSES			
Amortization	29,104	11,358	5,590
Bank charges and interest	16,171	4,811	3,007
Consulting fees	45,627	58,614	110,579
Exploration expenditures (Notes 10 and 16(c)(i))	14,658,436	7,878,309	4,703,598
Insurance	10,537	10,567	6,102
Investor and public relations	548,191	551,197	450,027
Management fees	329,675	243,600	191,800
Office and miscellaneous	217,391	168,581	106,814
Professional fees	205,980	116,587	61,683
Rent (Note 16(c)(ii))	73,560	59,864	32,000
Repairs and maintenance	71,248	45,698	23,940
Stock-based compensation (Note 11)	4,222,910	3,124,089	935,441
Telephone and communications	59,334	49,938	20,787
Transfer agent and filing fees	57,547	47,635	28,296
Travel and entertainment	952,532	774,918	663,853
	21,498,243	13,145,766	7,343,517
LOSS BEFORE OTHER ITEMS	(21,498,243)	(13,145,766)	(7,343,517)
OTHER ITEMS			
Foreign exchange gain (loss)	(225,187)	24,771	(20,148)
Gain on sale of investments	—	—	48,124
Interest income	173,866	195,472	114,522
Interest expense	—	—	(50,000)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(21,549,564)	(12,925,523)	(7,251,019)
DEFICIT, BEGINNING OF YEAR	(27,389,976)	(14,180,843)	(7,115,100)
RESTATEMENT (Note 4)	—	(283,610)	(98,334)
DEFICIT, BEGINNING OF YEAR, AS RESTATED	(27,389,976)	(14,464,453)	(7,213,434)
DEFICIT, END OF YEAR	(48,939,540)	(27,389,976)	(14,464,453)
LOSS PER SHARE (Note 13)			
Basic and diluted	(0.21)	(0.16)	(0.13)

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

ORKO SILVER CORP.**(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

	2008	(Restated - Note 4) 2007	(Restated - Note 4) 2006
	\$	\$	\$
CASH FROM (USED IN):			
OPERATING ACTIVITIES			
Loss for the year	(21,549,564)	(12,925,523)	(7,251,019)
Items not involving cash and cash equivalents:			
Amortization	29,104	11,358	5,590
Gain on sale of marketable securities	–	–	(48,124)
Shares issued for interest	–	–	45,000
Stock-based compensation expense	4,222,910	3,124,089	935,441
	(17,297,550)	(9,790,076)	(6,313,112)
Changes in operating assets and liabilities:			
Receivables	(619,038)	(355,489)	(76,998)
Prepaid expenses and deposits	(81,754)	(101,318)	(19,484)
Advances to related parties	4,573	(19,632)	13,265
Accounts payable and accrued liabilities	38,765	653,909	198,410
Due to related parties	(42,691)	(86,044)	162,220
	(17,997,695)	(9,698,650)	(6,035,699)
FINANCING ACTIVITIES			
Proceeds from common shares issued, net of cash share issue costs	13,340,448	14,463,055	6,394,364
Proceeds from warrants issued in private placements	–	481,800	2,592,725
	13,340,448	14,944,855	8,987,089
INVESTING ACTIVITIES			
Purchase of property and equipment	–	(426,218)	(17,210)
Purchase of mineral property	–	–	(6,642)
Purchases of short-term investments	(10,000,000)	(9,000,000)	(4,000,000)
Sales of short-term investments	14,000,000	5,000,000	1,000,000
Sale of marketable securities	–	–	58,563
	4,000,000	(4,426,218)	(2,965,289)
EFFECT OF EXCHANGE RATES ON CASH	46,383	–	–
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(610,864)	819,987	(13,899)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,035,735	215,748	229,647
CASH AND CASH EQUIVALENTS, END OF YEAR	424,871	1,035,735	215,748
SUPPLEMENTAL CASH FLOW INFORMATION (Note 12)			

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

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

1. NATURE AND CONTINUANCE OF OPERATIONS

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

As at October 31, 2008, the Company had working capital of \$3,373,619, and accumulated losses of \$48,939,540 since inception. The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in mineral properties, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

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

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

(b) Use of Estimates

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

(c) Financial Instruments**(i) Cash Equivalents**

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

(ii) Short-Term Investments

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are classified as held-for-trading and are recorded at their fair values using quoted market prices at the balance sheet date. Unrealized gains or losses on held-for-trading investments are recognized in the statement of operations. Investment transactions are recognized on the trade date. Transaction costs incurred to acquire short-term investments are recognized in the statement of operations when incurred.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

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

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

Building	5%
Automobile	30%
Computer equipment	30%

(e) Mineral Properties

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

(f) Translation of Foreign Currencies and Subsidiary

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

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

(g) Earnings/Loss per Share

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

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

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

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

(i) Stock-Based Compensation

The Company has a plan for granting stock options to management, directors, employees and consultants as described in Note 8(c). The Company recognizes compensation expense under this plan using the fair value method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of stock options granted to employees is recognized as stock-based compensation expense over the vesting period and credited to contributed surplus. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to non-employees is recognized as stock-based compensation expense from the date of grant to the reporting date and credited to contributed surplus. Upon the exercise of stock options, consideration paid and the fair value amounts previously credited to contributed surplus are recorded as share capital. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted.

(j) Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the declining balance method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As at October 31, 2008, the Company has not incurred any asset retirement obligation related to the exploration of its mineral properties.

(k) Income Taxes

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

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) Comparative Figures**

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

(m) Recent Canadian Accounting Pronouncements

Recent Canadian accounting pronouncements that have been announced but are not yet effective are as follows:

(i) CICA 3064, "Goodwill and Intangible Assets" and amended CICA 1000, "Financial Statement Concepts"

These standards clarify the criteria for the recognition of assets, intangible assets and internally developed intangible assets. They apply to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. Early adoption is permitted. The Company will adopt these standards commencing for its interim and annual financial statements for the fiscal year ending October 31, 2009. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

(ii) CICA 1400, "General Standards of Financial Statement Presentation"

In May 2007, the CICA issued amended Handbook Section 1400, "General Standards of Financial Statement Presentation". The section provides revised guidance related to management's responsibility to assess and disclose the ability of an entity to continue as a going concern. This amended standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending October 31, 2009. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

(iii) International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of adopting IFRS and has not yet determined its effect on its financial statements.

3. ADOPTION OF NEW ACCOUNTING STANDARDS**(a) CICA 3862, "Financial Instruments – Disclosures"**

This standard relates to the disclosure of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. CICA 3863, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company adopted the standard on November 1, 2007.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

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

This standard relates to the presentation of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. CICA 3862, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company adopted the standard on November 1, 2007.

(c) CICA 1535, "Capital Disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company adopted the standard on November 1, 2007.

(d) CICA 3031, "Inventories"

This standard relates to the measurement and disclosure of inventories. It applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Early adoption is permitted. The Company adopted the standard on November 1, 2007. The adoption of the standard did not have a significant impact on the Company's financial statements.

4. RESTATEMENT OF PRIOR PERIODS DUE TO CORRECTION

During the year ended October 31, 2008, the Company identified that it had inappropriately accounted for stock options issued to non-employees during the years ended October 31, 2005, 2006 and 2007. As a result, the Company has restated its financial statements for these periods. The effects of this restatement on the financial statements for the years ended October 31, 2007 and 2006 are as follows:

	Previously Reported	Adjustment	Restated
	\$	\$	\$
2007			
Balance sheet:			
Contributed surplus	3,870,934	776,543	4,647,477
Deficit	(26,613,433)	(776,543)	(27,389,976)
Statement of operations:			
Stock-based compensation	2,631,156	492,933	3,124,089
Loss and comprehensive loss for the year	(12,432,590)	(492,933)	(12,925,523)
Deficit, beginning of year	(14,180,843)	(283,610)	(14,464,453)
Deficit, end of year	(26,613,433)	(776,543)	(27,389,976)
Loss per share - basic and diluted	(0.15)	–	(0.16)

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

4. RESTATEMENT OF PRIOR PERIODS DUE TO CORRECTION (continued)

	Previously Reported	Adjustment	Restated
	\$	\$	\$
2006			
Balance sheet:			
Contributed surplus	3,940,568	283,610	4,224,178
Deficit	(14,180,843)	(283,610)	(14,464,453)
Statement of operations:			
Stock-based compensation	750,165	185,276	935,441
Loss for the year	(7,065,743)	(185,276)	(7,251,019)
Deficit, beginning of year	(7,115,100)	(98,334)	(7,213,434)
Deficit, end of year	(14,180,843)	(283,610)	(14,464,453)
Loss per share - basic and diluted	(0.13)	-	(0.13)

5. SHORT-TERM INVESTMENTS

As at October 31, 2008, short-term investments consists of a \$3,000,000 variable rate guaranteed investment certificate issued by a major Canadian financial institution bearing interest at the bank's prime rate less 2%, maturing on June 11, 2009. As at October 31, 2008, interest of \$30,963 has been accrued and included in receivables. The investment carries an early redemption feature, that if utilized, may result in a reduction of interest receivable.

6. PROPERTY AND EQUIPMENT

			October 31, 2008	October 31, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	113,024	-	113,024	113,024
Building	270,928	18,505	252,423	265,823
Automobile	33,342	10,926	22,416	32,136
Computer equipment	34,089	20,121	13,968	19,952
	451,383	49,552	401,831	430,935

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

7. MINERAL PROPERTIES

	La Preciosa Mexico \$	Santa Monica Mexico \$	San Juan Mexico \$	Total \$
2008				
Mineral properties, beginning of the year	1,234,163	50,000	32,000	1,316,163
Acquisition costs capitalized during the year	—	—	—	—
Mineral properties, end of the year	1,234,163	50,000	32,000	1,316,163
2007				
Mineral properties, beginning of the year	1,234,163	21,000	32,000	1,287,163
Acquisition costs capitalized during the year	—	29,000	—	29,000
Mineral properties, end of the year	1,234,163	50,000	32,000	1,316,163

(a) La Preciosa, Mexico

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.

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

(b) Santa Monica, Mexico

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.

During the year ended October 31, 2008, the Company elected not to exercise an option to acquire an additional 24% interest in the property and instead entered into a new option agreement to acquire the remaining 49% interest in the property in exchange for 2,000,000 common shares of the Company. As at October 31, 2008, these shares have not been issued.

The Company is obligated to pay 2% of net smelter returns to certain royalty holders on all product sold.

(c) San Juan, Mexico

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. (the "Vendor"). 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.

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7. MINERAL PROPERTIES (continued)

(c) San Juan, Mexico (continued)

Pursuant to the agreement, upon earning a 75% interest in the property, the Company and the Vendor will form a joint venture. The Vendor will be given the right to increase its interest in the joint venture by 10%, for a total interest of 35%, by incurring cumulative exploration expenditures of US\$750,000.

The Company is required to make semi-annual payments of the greater of US\$5,000 and 2% of direct exploration expenditures incurred on the property. During the year ended October 31, 2008, the Company paid or accrued \$7,889 (2007 - \$22,590) pursuant to this obligation.

8. SHARE CAPITAL

(a) Authorized Share Capital

Unlimited number of common shares without par value.

(b) Issued and Outstanding Share Capital

	Number of Shares	Amount \$
Balance at October 31, 2006	65,311,296	14,172,827
Issued during the year		
For cash:		
Private placements, net of share issue costs	3,943,000	2,495,296
Exercise of options	2,220,000	1,069,950
Exercise of agent unit options	346,575	103,973
Exercise of warrants	24,927,407	10,793,836
For property:		
Issued for Santa Monica property	50,000	29,000
Transferred from contributed surplus:		
Exercise of options	-	526,262
Exercise of agent unit options	-	100,221
Exercise of warrants	-	2,556,107
Balance at October 31, 2007	96,798,278	31,847,472
Issued during the year		
For cash:		
Private placements, net of share issue costs	7,320,000	10,890,231
Exercise of options	1,625,000	512,350
Exercise of warrants	1,984,438	1,671,887
Transferred from contributed surplus:		
Exercise of options	-	471,611
Exercise of warrants	-	493,510
Balance at October 31, 2008	107,727,716	45,887,061

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

8. SHARE CAPITAL (continued)**(b) Issued and Outstanding Share Capital (continued)**

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

On June 12, 2008, the Company issued 7,320,000 common shares at \$1.65 per share for gross proceeds of \$12,078,000 under a brokered private placement. The Company issued 439,200 broker warrants as a commission. Each whole broker warrant entitles the holder thereof to purchase one additional common share before June 12, 2010 at a price of \$1.65 per common share. The fair value of the warrants was computed to be \$265,980 using the Black-Scholes option-pricing model and was recorded as a non-cash share issuance cost. The Company paid cash commissions of \$724,680 and incurred other cash share issuance costs of \$197,109.

(c) Stock Options

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. On January 21, 2008, the Company adopted an amendment to its 20% fixed plan, which was subsequently approved by shareholders at its annual general meeting of shareholders to grant options to directors, officers, employees and consultants of the Company. Options are generally for a term of up to five years from the date granted and are exercisable at a price that is not less than the market price on the date granted.

Stock option activity since October 31, 2006 is presented below:

	Number of Shares	Weighted Average Exercise Price \$
Outstanding, October 31, 2006	6,215,000	0.45
Granted	9,375,000	0.80
Exercised	(2,220,000)	0.48
Outstanding, October 31, 2007	13,370,000	0.69
Granted	5,530,000	1.76
Exercised	(1,625,000)	0.32
Cancelled	(150,000)	1.52
Forfeited	(25,000)	1.79
Outstanding, October 31, 2008	17,100,000	1.06

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)****8. SHARE CAPITAL (continued)****(c) Stock Options (continued)**

The following table summarizes the stock options outstanding and exercisable at October 31, 2008:

Options Outstanding				Options Exercisable		
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	
\$0.13	75,000	1.08	\$0.13	75,000	\$0.13	
\$0.25	100,000	1.24	0.25	100,000	0.25	
\$0.47	100,000	2.39	0.47	100,000	0.47	
\$0.55 - \$0.58	3,060,000	2.68	0.55	3,060,000	0.55	
\$0.63 - \$0.69	1,770,000	3.30	0.69	1,770,000	0.69	
\$0.82 - \$0.85	6,215,000	3.80	0.84	6,215,000	0.84	
\$0.92 - \$0.95	175,000	3.46	0.92	175,000	0.92	
\$1.15 - \$1.26	250,000	3.89	1.17	250,000	1.17	
\$1.55	525,000	3.42	1.55	262,500	1.55	
\$1.79 - \$1.80	4,830,000	4.39	1.79	3,660,000	1.79	
	17,100,000	3.66	1.06	15,667,500	1.00	

(d) Warrants

Warrant activity since October 31, 2006 is presented below:

	Number of Shares	Weighted Average Exercise Price
		\$
Outstanding, October 31, 2006	26,001,520	0.45
Issued	2,318,075	0.91
Exercised	(24,927,407)	0.43
Outstanding, October 31, 2007	3,392,188	0.91
Issued	439,200	1.65
Exercised	(1,984,438)	0.84
Outstanding, October 31, 2008	1,846,950	1.15

The following table summarizes the warrants outstanding at October 31, 2008:

Number of Shares	Exercise Price	Issue Date	Expiry Date
1,407,750	\$1.00	August 24, 2007	August 24, 2009
439,200	\$1.65	June 12, 2008	June 12, 2010
1,846,950			

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8. SHARE CAPITAL (continued)

(e) Agent Unit Options

During the year ended October 31, 2006, the Company issued 680,000 agent options to purchase 680,000 units, each unit consisting of one common share and one share purchase warrant. All agent unit options were exercised prior to their expiry date of February 3, 2007. Agent unit option activity since October 31, 2006 is presented below:

	Number of Units	Weighted Average Exercise Price \$
Outstanding, October 31, 2006	346,575	0.30
Exercised	(346,575)	0.30
Outstanding, October 31, 2007 and 2008	—	—

(f) Shareholder Rights Plan

The directors of the Company approved the adoption of a shareholder rights plan, dated December 4, 2007, (the "Rights Plan") which was ratified by the Company's shareholders on March 13, 2008. The Rights Plan is intended to ensure that all shareholders of the Company are treated fairly in any transaction involving a potential change of control of the Company. The rights become exercisable only when a person or party acquires or announces its intention to acquire 20% or more of the outstanding shares of the Company without complying with certain provisions of the Rights Plan. Each right would entitle each holder of common shares (other than the acquiring person or party) to purchase additional common shares of the Company at a 50% discount to the market price at the time. The Rights Plan is subject to a confirmation vote by the Company's shareholders every third year after coming into effect, and failing such confirmation vote, the agreement will terminate.

9. CONTRIBUTED SURPLUS

(Restated - Note 4)

	Amount \$
Balance at October 31, 2006	4,224,178
Stock-based compensation recorded during the year	3,124,089
Relative fair value of warrants issued for cash in private placements	481,800
Transferred to share capital upon exercise of stock options	(526,262)
Transferred to share capital upon exercise of agent options	(100,221)
Transferred to share capital upon exercise of warrants	(2,556,107)
Balance at October 31, 2007	4,647,477
Stock-based compensation recorded during the year	4,222,910
Fair value of warrants issued in private placement	265,980
Transferred to share capital upon exercise of stock options	(471,611)
Transferred to share capital upon exercise of warrants	(493,510)
Balance at October 31, 2008	8,171,246

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

10. EXPLORATION EXPENDITURES

2008 Exploration Expenditures	La Preciosa	Santa Monica	San Juan	Total
Drilling	\$ 10,126,477	\$ 317,805	\$ 71,285	\$ 10,515,567
Geological	881,084	119,691	100,090	1,100,865
Geophysical	—	—	—	—
Assay	1,570,940	9,239	3,442	1,583,621
Site costs	991,600	108,500	22,500	1,122,600
General exploration	210,531	76,960	48,292	335,783
Total expenditures for the period	\$ 13,780,632	\$ 632,195	\$ 245,609	\$ 14,658,436

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

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

Cumulative Exploration Expenditures to October 31, 2008	La Preciosa	Santa Monica	San Juan	Total
Drilling	\$ 19,608,842	\$ 317,805	\$ 460,008	\$ 20,386,655
Geological	1,614,482	206,267	174,473	1,995,222
Geophysical	96,712	106,740	10,343	213,795
Assay	2,851,313	25,111	64,521	2,940,945
Site costs	2,423,815	252,092	121,235	2,797,142
General exploration	467,531	180,597	92,972	741,100
Total expenditures to date	\$ 27,062,695	\$ 1,088,612	\$ 923,552	\$ 29,074,859

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

11. STOCK-BASED COMPENSATION

During the year ended October 31, 2008, the Company granted 5,530,000 (2007 – 9,375,000; 2006 – 4,210,000) stock options to directors, officers and consultants of the Company. The weighted average fair values of each option granted was \$0.68 (2007 - \$0.36; 2006 - \$0.23) calculated using the Black-Scholes option-pricing model at the date of each grant using the following assumptions:

	2008	2007	2006
Expected option lives	2 years	2 years	2 years
Risk-free interest rate	2.7%	4.3%	4.1%
Expected dividend yield	0%	0%	0%
Expected stock price volatility	67%	77%	84%

During the year ended October 31, 2008, the Company recognized \$4,222,910 (2007 - \$3,124,089; 2006 - \$935,441) of compensation cost which has been recorded in stock-based compensation expense.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	2008	2007	2006
	\$	\$	\$
Cash and cash equivalents consist of:			
Bank deposits	424,871	895,619	215,748
Cash held in trust	–	140,116	–
	<hr/> 424,871	<hr/> 1,035,735	<hr/> 215,748

	2008	2007	2006
	\$	\$	\$
Cash paid for:			
Interest	–	–	5,000
Income taxes	–	–	–
Non-cash financing and investing activities:			
Warrants issued for share issuance costs	265,980	–	209,236
Agent unit options issued for share issuance costs	–	–	363,485
Common shares issued for share issuance costs	–	–	556,041
Common shares issued for interest expense	–	–	45,000
Common shares issued for mineral properties	–	29,000	1,245,163

13. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share was 101,233,000 (2007 – 80,519,000; 2006 – 53,749,000). Outstanding stock options, warrants and agent unit options have not been considered in the computation of diluted loss per share as the result is anti-dilutive.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

14. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Company has no debt obligations. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements.

The Company raises capital to fund its corporate and exploration costs through the sale of its common shares or units consisting of common shares and warrants.

15. INCOME TAXES

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

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

	2008	2007
	\$	\$
Future income tax assets:		
Non-capital tax losses carried forward	6,495,000	2,408,000
Capital losses carried forward	52,000	67,000
Property and equipment	7,000	3,000
Share issue costs	348,000	314,000
Canadian exploration expenses	141,000	183,000
Foreign exploration expenses	2,708,000	3,635,000
Total gross future income tax assets	9,751,000	6,610,000
Valuation allowance	(9,751,000)	(6,610,000)
Net future income tax assets	—	—

The potential income tax benefits relating to future income tax assets have not been recognized in the financial statements as their realization does not meet the requirement of "more likely than not" under the liability method of tax allocation.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

15. INCOME TAXES (continued)

- (b) As at October 31, 2008, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of \$24,119,000 in Canada (\$8,607,000) and Mexico (\$15,512,000) expiring as follows:

	\$
2009	365,000
2010	556,000
2014	247,000
2015	651,000
2017	2,834,000
2018	12,678,000
2026	1,867,000
2027	3,551,000
2028	1,370,000
	<hr/> 24,119,000

- (c) The reconciliation of income tax attributable to operations computed at the statutory tax rates to income tax expense (recovery), using a 31.6% (2007 – 32.5%) statutory tax rate is as follows:

	2008	2007
	\$	\$
Income tax recovery at statutory rates	(6,810,000)	(4,201,000)
Permanent differences	1,997,000	1,032,000
Change in tax rates	1,610,000	177,000
Foreign tax rate differences	600,000	–
Change in estimates	(538,000)	50,000
Change in valuation allowance	3,141,000	2,942,000
	<hr/>	<hr/>
Income tax expense	–	–

16. RELATED PARTY BALANCES AND TRANSACTIONS

- (a) Advances to Related Parties

As at October 31, 2008, advances to related parties consists of \$15,059 (2007 – \$19,632) advanced to an officer of the Company for travel expenses to be incurred on behalf of the Company. These amounts are non-interest bearing and will be applied in the future against travel expenses incurred by the officers on behalf of the Company.

- (b) Due to Related Parties

As at October 31, 2008, due to related parties consists of \$13,709 (2007 - \$79,761) payable to officers of the Company for travel expenses incurred on behalf of the Company and \$22,998 (2007 - \$nil) payable to a director of the Company for exploration expenditures. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

16. RELATED PARTY BALANCES AND TRANSACTIONS (continued)**(c) Related Party Transactions**

During the year ended October 31, 2008 the Company entered into the following transactions with related parties:

- (i) A company controlled by a director of the Company incurred \$185,802 (2007 – \$2,009,143; 2006 - \$1,022,893) in exploration expenditures on behalf of the Company for which the company is subsequently reimbursed.
- (ii) The Company subleases office premises to related parties (see Note 19(b)).

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

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

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

(b) Credit Risk

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

The Company's receivables consist of \$30,963 of interest receivable from a major Canadian financial institution accrued on its short-term investments, \$16,163 of value added taxes ("VAT") receivable from an agency of the Canadian government and \$1,038,246 of VAT receivable from an agency of the Mexican government.

(c) Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and purchasing short-term investments with early redemption features. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

(d) Currency Risk

As the Company operates in an international environment, some of the Company's transactions and balances are denominated in currencies other than the Canadian dollar. The Company's foreign exchange risk arises primarily with respect to the Mexican peso. Fluctuations in the exchange rates between this currency and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

17. FINANCIAL INSTRUMENTS (continued)**(d) Currency Risk (continued)**

At October 31, 2008, the Company has cash and cash equivalents of \$25,509 and receivables of \$1,038,095 denominated in 265,641 and 10,810,111 Mexican pesos, respectively. A strengthening (weakening) of the Canadian dollar against the Mexican peso of 10% would result in an increase (decrease) in the Company's loss and comprehensive for the year of \$106,360.

(e) Interest Rate Cash Flow Risk

The Company's short-term investments are subject to interest rate price risk as they carry variable rates of interest. The Company does not engage in any hedging activity to mitigate this risk.

As at October 31, 2008, the Company had \$3,000,000 of short-term investments earning interest at rates which are variable. A plus or minus 1% change in interest rates would affect loss and comprehensive loss for the year by \$30,000.

(f) Commodity Price Risk

Mineral prices, in particular gold and silver, are volatile, and have risen and fallen sharply in recent years. 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 movements. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

18. SEGMENT DISCLOSURES

The Company operates in the mining industry. Management of the Company makes decisions about allocating resources based on the one operating segment. The following table summarizes property and equipment and mineral properties by geographic segment:

2008	Canada	Mexico	Total
Property and equipment	\$ 13,968	\$ 387,863	\$ 401,831
Mineral properties	–	1,316,163	1,316,163
Total	\$ 13,968	\$ 1,704,026	\$ 1,717,994

2007	Canada	Mexico	Total
Property and equipment	\$ 19,952	\$ 410,983	\$ 430,935
Mineral properties	–	1,316,163	1,316,163
Total	\$ 19,952	\$ 1,727,146	\$ 1,747,098

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

19. COMMITMENTS

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

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

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

	\$
2009	52,380
2010	30,540

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.

20. SUBSEQUENT EVENTS

- (a) On November 21, 2008, the Company granted 200,000 stock options to a director and 250,000 stock options to a consultant, each option being exercisable at a price of \$0.45 for a period of five years ending November 21, 2013.
- (b) On November 21, 2008, the Company announced that that it intends to modify 13,190,000 stock options with exercise prices ranging from \$0.69 to \$1.80, by reducing the exercise price of 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. The Company intends to seek such disinterested shareholder approval at its next annual general meeting scheduled to be held in May 2009. Under the proposal, each option holder will have the exercise price of half their options reduced to \$0.45 per share and half to \$0.60 per share. There has been no change to the expiry date of the options. The Company received TSX Venture Exchange acceptance on January 12, 2009.
- (c) On December 19, 2008, the Company granted 250,000 stock options to a consultant, each option being exercisable at a price of \$0.45 for a period of five years ending December 19, 2013.
- (d) On January 29, 2009, the Company granted 100,000 stock options to a consultant, each option being exercisable at a price of \$0.53 for a period of two years ending January 29, 2011.
- (e) On February 2, 2009, the Company announced that it intends 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 intends to seek such disinterested shareholder approval at its next annual general meeting scheduled to be held in May 2009. There has been no change to the expiry date of the options.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

21. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain respects from those generally accepted in the United States of America ("US GAAP"). There are no material impacts on the Company's financial statements due to differences in Canadian and US GAAP.

(a) Adoption of New Accounting Standards

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115". This statement permits entities to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 apply only to entities that elect the fair value option. However, the amendment to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 157, "Fair Value Measurements". The Company early adopted the statement for its fiscal year beginning on November 1, 2007. The adoption of this statement did not have a material effect on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS No. 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provision of SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115". The Company early adopted the statement for its fiscal year beginning on November 1, 2007. The adoption of this statement did not have a material effect on the Company's financial statements.

(b) Recent United States Accounting Pronouncements

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts – An interpretation of FASB Statement No. 60". SFAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default when there is evidence that credit deterioration has occurred in an insured financial obligation. It also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities, and requires expanded disclosures about financial guarantee insurance contracts. It is effective for financial statements issued for fiscal years beginning after December 15, 2008, except for some disclosures about the insurance enterprise's risk-management activities. SFAS 163 requires that disclosures about the risk-management activities of the insurance enterprise be effective for the first period beginning after issuance. Except for those disclosures, earlier application is not permitted. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

ORKO SILVER CORP.**(An Exploration Stage Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED OCTOBER 31, 2008, 2007 AND 2006****(Expressed in Canadian Dollars)**

21. DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES (continued)**(b) Recent United States Accounting Pronouncements (continued)**

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles". SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. It is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles". The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In March 2008, the Financial Accounting Standards Board ("FASB") issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment to FASB Statement No. 133". SFAS No. 161 is intended to improve financial standards for derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. Entities are required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years beginning after November 15, 2008, with early adoption encouraged. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements Liabilities –an Amendment of ARB No. 51". This statement amends ARB 51 to establish accounting and reporting standards for the Non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement is effective for fiscal years and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. The adoption of this statement is not expected to have a material effect on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised) "Business Combinations". SFAS 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 141 (revised 2007) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (revised 2007) will become effective for the fiscal year beginning after December 15, 2008. The adoption of this statement is not expected to have a material effect on the Company's financial statements.