SouthernSilver
EXPLORATION CORP

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Consolidated Financial Statements
Years Ended April 30, 2012 and 2011
(Expressed in Canadian Dollars)

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Southern Silver Exploration Corp. have been prepared by and are the responsibility of the Company's management.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts that are based on management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal controls that are appropriate in the circumstances. Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate preparation of reliable consolidated financial statements in a timely manner.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has met with management and the external independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters.

The Company's independent auditors, Smythe Ratcliffe LLP, an independent firm of chartered accountants, were appointed as external auditors by the shareholders and have audited the consolidated financial statements and their report is included herein.

"Lawrence Page"

Lawrence Page, Q.C.
President

"Mahesh Liyanage"

Mahesh Liyanage
Chief Financial Officer

Vancouver, British Columbia
August 23, 2012

SmytheRatcliffe
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOUTHERN SILVER EXPLORATION CORP.

We have audited the accompanying consolidated financial statements of Southern Silver Exploration Corp., which comprise the consolidated statements of financial position as at April 30, 2012, April 30, 2011 and May 1, 2010, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended April 30, 2012 and April 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Southern Silver Exploration Corp. as at April 30, 2012, April 30, 2011 and May 1, 2010, and its financial performance and cash flows for the years ended April 30, 2012 and April 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $4,809,566 during the year ended April 30, 2012 and, as of that date, the Company's current liabilities exceeded its total assets by $77,042. These conditions, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP
Chartered Accountants

Vancouver, British Columbia
August 23, 2012

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Southern Silver Exploration Corp.

(An Exploration Stage Company)
Consolidated Statements of Comprehensive Loss (Expressed in Canadian Dollars)
Years Ended April 30, 2012 and 2011

	Note		2012		2011 (Note 12)
Expenses					
Administration	6	$	96,000	$	96,000
Consulting	6		373,876		230,090
Exploration and evaluation	5(e) & 6		3,117,437		911,278
Independent directors' fees	6		38,828		37,752
Investor relations	6		421,194		195,723
Office and general	6		98,692		70,478
Professional fees	6		148,634		195,184
Regulatory fees and taxes			18,556		14,554
Share-based payments	7(e)		73,738		351,911
Shareholders' communications			25,831		15,838
Transfer agent			17,434		15,803
Travel and promotion			164,117		98,322
			4,594,337		**2,232,933**
Other Items					
Interest income			(8,870)		(5,382)
Foreign exchange (gain) loss			(25,291)		14,460
Impairment of mineral properties			-		315,936
Modification of share purchase warrants	7(e)		249,390		-
			215,229		**325,014**
Net Loss and Comprehensive Loss for the Year		**$**	**4,809,566**	**$**	**2,557,947**
Loss per share - basic and diluted		$	0.04	$	0.03
Weighted average number of common shares outstanding			112,884,240		77,451,968

The accompanying notes form an integral part of these consolidated financial statements

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Financial Position (Expressed in Canadian Dollars)

As at	**Note**		**April 30, 2012**		**April 30, 2011** (Note 12)		**May 1, 2010** (Note 12)
Assets							
Current							
Cash		$	452,344	$	1,125,169	$	656,457
Taxes and other receivables			47,681		141,461		38,607
Prepaids	6(a)		20,303		47,089		42,979
			520,328		**1,313,719**		**738,043**
Non-current							
Reclamation bonds	5(b)/(c)		113,932		43,012		54,000
Mineral properties	5		2,541,772		1,538,292		1,070,333
		$	**3,176,032**	**$**	**2,895,023**	**$**	**1,862,376**
Liabilities							
Current							
Accounts payable and accrued liabilities	6(h)	$	557,411	$	219,243	$	82,080
Due to related parties	6		39,959		36,816		5,116
			597,370		**256,059**		**87,196**
Shareholders' Equity							
Share capital	7		28,345,365		24,045,028		21,008,918
Share-based payments reserve			1,297,771		1,874,998		2,051,198
Warrants reserve			66,270		-		-
Deficit			(27,130,744)		(23,281,062)		(21,284,936)
			2,578,662		**2,638,964**		**1,775,180**
		$	**3,176,032**	**$**	**2,895,023**	**$**	**1,862,376**

Approved on behalf of the Board

"Lawrence Page" — **Lawrence Page, Q.C.**

"Terry Eyton" — **Terry Eyton, FCA**

The accompanying notes form an integral part of these consolidated financial statements

Southern Silver Exploration Corp.
(An Exploration Stage Company)
Consolidated Statements of Changes in Equity (Expressed in Canadian Dollars)
Years Ended April 30, 2012 and 2011

	Share Capital Number of Shares	Amount (Note 12)	Share-based Payments Reserve (Note 12)	Warrants Reserve	Deficit (Note 12)	Total (Note 12)
Balance as at May 1, 2010	**64,912,096**	**$ 21,008,918**	**$ 2,051,198**	**$ -**	**$ (21,284,936)**	**$ 1,775,180**
Issued						
Private placements	25,000,000	2,500,000	-	-	-	2,500,000
Shares for mineral property payment	50,000	5,000	-	-	-	5,000
Exercised share purchase warrants	3,686,700	737,340	-	-	-	737,340
Exercised stock options	590,000	97,350	-	-	-	97,350
Share issue costs	-	(389,782)	119,912	-	-	(269,870)
Fair value of warrants exercised	-	7,092	(7,092)	-	-	-
Fair value of options exercised	-	79,110	(79,110)	-	-	-
Fair value of options and warrants expired	-	-	(561,821)	-	561,821	-
Share-based payments	-	-	351,911	-	-	351,911
Net loss for the year	-	-	-	-	(2,557,947)	(2,557,947)
Balance as at April 30, 2011	**94,238,796**	**24,045,028**	**1,874,998**	**-**	**(23,281,062)**	**2,638,964**
Issued						
Private placements	32,487,446	4,922,036	-	-	-	4,922,036
Private placements - allocated to warrants	-	(66,270)	-	66,270	-	-
Shares for finders' fees	1,176,471	200,000	-	-	-	200,000
Shares for mineral property payment	300,000	49,250	-	-	-	49,250
Exercised share purchase warrants	38,200	7,640	-	-	-	7,640
Share issue costs	-	(814,510)	61,720	-	-	(752,790)
Fair value of warrants exercised	-	2,191	(2,191)	-	-	-
Fair value of options and warrants expired	-	-	(959,884)	-	959,884	-
Fair value of warrants modified	-	-	249,390	-	-	249,390
Share-based payments	-	-	73,738	-	-	73,738
Net loss for the year	-	-	-	-	(4,809,566)	(4,809,566)
Balance as at April 30, 2012	**128,240,913**	**$ 28,345,365**	**$ 1,297,771**	**$ 66,270**	**$ (27,130,744)**	**$ 2,578,662**

The accompanying notes form an integral part of these consolidated financial statements

Southern Silver Exploration Corp.

(An Exploration Stage Company)
Consolidated Statements of Cash Flows (Expressed in Canadian Dollars)
Years Ended April 30, 2012 and 2011

	2012	2011 (Note 12)
Operating Activities		
Net loss for the year	$ (4,809,566)	$ (2,557,947)
Items not involving cash:		
Unrealized foreign exchange (gain) loss	(13,774)	53,118
Share-based payments	73,738	351,911
Share purchase warrant modification	249,390	-
Impairment of mineral properties	-	315,936
	(4,500,212)	(1,836,982)
Changes in non-cash working capital		
Taxes and other receivables	93,780	(102,854)
Prepaids	26,786	(4,110)
Accounts payable and accrued liabilities	338,168	137,163
Due to related parties	3,143	31,700
	461,877	61,899
Cash Used in Operating Activities	(4,038,335)	(1,775,083)
Investing Activities		
Mineral property acquisition costs	(954,230)	(778,895)
Reclamation bonds	(70,920)	12,403
Cash Used in Investing Activities	(1,025,150)	(766,492)
Financing Activities		
Proceeds from issuance of shares, net of share issue costs	4,376,886	3,064,820
Cash Provided by Financing Activities	4,376,886	3,064,820
Foreign Exchange Effect on Cash	13,774	(54,533)
Increase (Decrease) in Cash During the Year	(672,825)	468,712
Cash, Beginning of Year	1,125,169	656,457
Cash, End of Year	$ 452,344	$ 1,125,169

Supplemental cash flow information (Note 9)

The accompanying notes form an integral part of these consolidated financial statements

1. Nature of Operations and Going Concern

Southern Silver Exploration Corp. (the "Company") is an exploration stage company incorporated under the laws of British Columbia, Canada. The Company's shares are listed on the TSX Venture Exchange.

The Company's principal business activities include the acquisition, exploration, and development of natural resource properties located in Mexico and the United States. The Company's registered office is 950 - 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their exploration and development, and establish future profitable operations, or realize proceeds from their sale. The carrying value of the Company's mineral properties does not reflect present or future value.

These consolidated financial statements were prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at April 30, 2012, the Company had a working capital deficiency of $77,042 (April 30, 2011 - surplus of $1,057,660, May 1, 2010 - surplus of $650,847). The Company incurred a net loss of $4,809,566 for the year ended April 30, 2012 (2011 - $2,557,947) and had an accumulated deficit of $27,130,744 as at April 30, 2012 (April 30, 2011 - $23,281,062, May 1, 2010 - $21,284,936).

As at April 30, 2012, the Company does not have sufficient working capital to meet its administrative overheads and continue its exploration programs. The Company has relied mainly upon the issuance of share capital to finance its activities. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company will be required to issue share capital to finance future activities through private placements and the exercise of options and warrants and is actively seeking additional equity financing. There can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Inability to secure future financing would have a material adverse effect on the Company's business, results of operations and financial condition.

These consolidated financial statements do not include the adjustments to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Basis of Preparation and Summary of Significant Accounting Policies

(a) Basis of Preparation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") with an adoption date of May 1, 2011 and transition date of May 1, 2010.

2. Basis of Preparation and Summary of Significant Accounting Policies, continued

(a) Basis of Preparation, continued

The impact of the transition from Canadian generally accepted accounting principles ("GAAP") to IFRS is included in Note 12. IFRS 1: *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), has been applied.

The accounting principles included herein have been applied consistently for each of the periods presented. The consolidated financial statements were approved and authorized for issue by the Board of Directors on August 23, 2012.

The Company's functional and presentation currency is the Canadian dollar.

These consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for financial instruments measured at fair value, and include the accounts of the Company and its wholly-owned integrated subsidiaries, Minera Plata del Sur S.A de C.V., incorporated in Mexico, Southern Silver Exploration (US) Corp., incorporated in the United States, and Southern Silver Holdings Ltd., incorporated in the British Virgin Islands. All inter-company transactions and balances have been eliminated upon consolidation.

(b) Mineral Properties

All expenditures related to the acquisition of mineral properties are capitalized on a property-by-property basis, net of recoveries, until these mineral properties are placed into commercial production, sold, or abandoned. If commercial production is achieved from a mineral property, the related mineral properties are tested for impairment and reclassified to mineral property in production. If a mineral property is sold or abandoned, the related capitalized costs will be expensed to net loss in that period.

All expenditures related to the exploration and evaluation of mineral properties are expensed to net loss in the period in which they are incurred.

From time to time, the Company may acquire or dispose of all or part of its mineral property interests under the terms of property option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, option payments are capitalized as part of acquisition costs. If recoveries are received and exceed the capitalized expenditures, the excess is reflected in net loss.

All capitalized mineral property costs are reviewed at each reporting date, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the carrying value, provision is made for the impairment in value. The amounts capitalized for mineral properties represent acquisition costs incurred to date less write-downs, and are not intended to reflect present or future values.

2. Basis of Preparation and Summary of Significant Accounting Policies, continued

(c) Reclamation Bonds

Reclamation bonds are recorded at amortized cost and held by government agencies or in trust.

(d) Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the reporting date;
(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

(e) Financial Instruments

The Company classifies its financial assets into the following categories: at fair value through profit or loss, available-for-sale or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss ("FVTPL")

FVTPL financial assets are initially recognized at fair value with changes in fair value recorded through profit or loss. Cash is included in this category of financial assets.

Available-for-sale ("AFS")

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories and are recognized at fair value and subsequently carried at fair value. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive loss and classified as a component of equity. AFS assets would include investments in listed equity of other entities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. Reclamation bonds are classified as loans and receivables.

2. Basis of Preparation and Summary of Significant Accounting Policies, continued

(e) Financial Instruments, continued

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to related parties.

The Company has no derivative financial liabilities.

(f) Unit Offerings

Proceeds from the issue of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

(g) Non-monetary Consideration

Shares issued for non-monetary consideration are recorded at fair value based on the quoted market value of the Company's shares on the date of share issuance. Shares to be issued, which are contingent upon future events or actions, are recorded by the Company when it is reasonably determinable that the shares will be issued.

(h) Revenue Recognition

Interest income earned is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

2. Basis of Preparation and Summary of Significant Accounting Policies, continued

(i) Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options, warrants and similar instruments that would be anti-dilutive.

(j) Share-based Payments

Share-based payments for employees are measured at fair value of the instruments issued and amortized over the vesting period. Share-based payments for non-employees are measured at either the fair value of the goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded on the date the goods or services are received. The fair value of the options is charged to net loss using the graded vesting method, with the offset credit to share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related fair value calculated is transferred from share-based payments reserve to share capital. Upon expiry, the related fair value calculated is transferred from share-based payments reserve to deficit.

(k) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax basis. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the enactment date. Deferred tax assets also result from unused loss carried forwards, resource related tax pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Basis of Preparation and Summary of Significant Accounting Policies, continued

(l) Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position, and the reported amounts of consolidated expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates appear throughout the consolidated financial statements and may require adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other relevant factors that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, which could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- restoration, rehabilitation, and environmental provisions;
- accrued liabilities;
- the recognition of deferred income tax assets; and
- the assumptions used in the calculation of the fair value assigned to share-based payments.

Critical accounting judgments

Management must make judgments given the various options available as per accounting standards for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. A summary of items involving management judgment include, but are not limited to:

- the determination of the categories in which financial assets and liabilities are classified;
- the determination of environmental obligations; and
- the impairment and recoverability of capitalized mineral property acquisition costs.

(m) Restoration, Rehabilitation, and Environmental Obligations

The Company recognizes an estimate of the liability associated with statutory, contractual, constructive, or legal obligations associated with site closure and property retirement costs in the period in which the liability is incurred if a reasonable estimate of fair value can be made.

2. Basis of Preparation and Summary of Significant Accounting Policies, continued

(m) Restoration, Rehabilitation, and Environmental Obligations, continued

The estimated fair value or present value of future cash flows is capitalized to the related mining acquisition assets with a corresponding increase in the rehabilitation provision in the period incurred. The capitalized amount will be depreciated on a unit-of-production basis over the estimated life of the ore reserve.

The amount of the provision will be increased each reporting period due to the passage of time and the amount of accretion is charged to net loss. The provision can also increase or decrease due to changes in regulatory requirements, discount rates, and assumptions regarding the amount and timing of future rehabilitation expenditures. Any changes are recorded directly to the related mining assets with a corresponding change to the rehabilitation provision. Actual rehabilitation expenditures incurred are charged against the rehabilitation provision to the extent of the liability recorded.

The Company has determined that it has no material obligations of this nature to record.

(n) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Future Accounting Standards Changes

IFRS 9: *Financial Instruments* was issued in November 2009 as the first step to replace IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 also amends some of the requirements of IFRS 7: *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income / loss and guidance on financial liabilities and de-recognition of financial instruments. In December 2011, an amendment was issued that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

2. Basis of Preparation and Summary of Significant Accounting Policies, continued

(o) Future Accounting Changes, continued

IFRS 10: *Consolidated Financial Statements* was issued in May 2011 to replace IAS 27: *Consolidated and Separate Financial Statements* and SIC 12: *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. IFRS 10 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 10 on its consolidated financial statements.

IFRS 11: *Joint Arrangements* was issued in May 2011 to replace IAS 31: *Interests in Joint Ventures*. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 11 on its consolidated financial statements.

IFRS 12: *Disclosure of Interests in Other Entities* was issued in May 2011 to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). IFRS 12 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 12 on its consolidated financial statements.

IFRS 13: *Fair Value Measurement* was issued in May 2011 as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 13 on its consolidated financial statements.

IAS 28: *Investments in Associates and Joint Ventures* (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 must be applied starting January 1, 2013 with early adoption permitted. If the Company applies this standard earlier, it must disclose that fact and apply IFRS 10, IFRS 11, and IFRS 12 at the same time. The Company is currently assessing the impact of adopting IAS 28 on its consolidated financial statements.

3. Financial Instruments

(a) Categories of Financial Instruments

The Company's financial instruments include cash, other receivables, reclamation bonds, accounts payable and accrued liabilities, and amounts due to related parties.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

3. Financial Instruments, continued

(a) Categories of Financial Instruments, continued

The Company has classified its financial instruments into the following categories:

Financial Instrument	Category	Carrying Value
Cash	FVTPL	Fair Value
Receivables (Advances)	Loans and Receivables	Amortized Cost
Reclamation Bonds	Loans and Receivables	Amortized Cost
Accounts Payable and Accrued Liabilities	Other Financial Liabilities	Amortized Cost
Due to Related Parties	Other Financial Liabilities	Amortized Cost

(b) Fair Value

The carrying values of cash, receivable advances (April 30, 2012 - $7,049 : April 30, 2011 - $4,746: May 1, 2010 - $8,905), accounts payable and accrued liabilities and amounts due to related parties estimate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing, have no maturity date and carrying values approximate fair value.

(c) Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, currency risk, interest rate risk, credit risk, and other price risk. The Company's exposure to these risks and its methods of managing the risks are summarized as follows:

(i) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due by forecasting cash flows for operations and anticipated investing and financing activities and through management of its capital structure. All of the Company's financial liabilities have contractual maturities of less than 90 days.

As at April 30, 2012, the cash balance of $452,344 would not be sufficient to meet the cash requirements for the Company's administrative overhead, maintaining its mineral interests, and continuing with its exploration program in the following twelve months. The Company will be required to raise additional capital in the future to fund its operations.

(ii) Currency Risk

The Company is exposed to currency risk to the extent expenditures incurred or funds received and balances maintained by the Company are denominated in currencies other than the Canadian dollar (primarily US dollars and Mexican pesos). The Company does not use any hedges or other derivatives to mitigate the risk against foreign exchange fluctuations.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

3. Financial Instruments, continued

(c) Financial Risk Management, continued

(ii) Currency Risk, continued

As at April 30, 2012, the Company had financial instruments denominated in foreign currencies and is exposed to currency risk as follows:

	US $	Peso
Cash	359,640	30,207
Receivables	-	92,817
Reclamation bonds	75,012	523,778
Accounts payable	507,915	88,537
	942,567	**735,339**
Canadian dollars	931,162	56,599

Based on the above and exchange rate movements for the past twelve months, assuming all other variables remain constant, the Company's net loss and comprehensive loss would not be materially affected by a weakening or strengthening of the US dollar or Mexican peso.

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's cash consists of cash held in bank accounts that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on the estimated fair value as of April 30, 2012.

(iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk mainly in respect to managing its cash, which is mostly held with Canadian financial institutions. The Company mitigates credit risk by risk management policies that require significant cash deposits or any short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. All investments must be less than one year in duration.

(v) Other Price Risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to other price risk.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

4. Capital Management

The Company's capital includes components of shareholders' equity. The Company's objectives in managing its capital are to maintain the ability to continue as a going concern and to continue to explore the Company's mineral properties for the benefit of its stakeholders.

To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place setting out the expenditures required to meet its strategic goals. The Company compares actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

As the Company is in the exploration stage, its operations have been funded by the issuance of equity instruments. The Company will continue to rely on equity issuances for future funding depending upon market and economic conditions at the time.

There have been no changes in the Company's approach to capital management during the year ended April 30, 2012.

5. Mineral Properties

The Company has interests in base and precious metal properties as follows:

- **Mexico**
  - (i) Cerro Las Minitas
  - (ii) Minas de Ameca - Magistral properties, which include Magistral I and El Magistral
- **United States**
  - (i) Oro
  - (ii) Dragoon

Mineral property acquisition costs by property for the year ended April 30, 2012 were as follows:

	Mexico				USA		
Mineral Properties	**Minas de Ameca** $	**Cerro Las Minitas** $	**Pinabete** $	**San Juan** $	**Oro** $	**Dragoon** $	**Total** $
Acquisition							
Balance as at May 1, 2010	208,412	-	237,049	53,996	494,253	76,623	1,070,333
Additions during the year	33,148	400,717	24,259	632	324,282	857	783,895
Write-offs during the year	-	-	(261,308)	(54,628)	-	-	(315,936)
Balance as at April 30, 2011	241,560	400,717	-	-	818,535	77,480	1,538,292
Additions during the year	89,835	640,381	-	-	273,264	-	1,003,480
Balance as at April 30, 2012	**331,395**	**1,041,098**	**-**	**-**	**1,091,799**	**77,480**	**2,541,772**

5. Mineral Properties, continued

Terms of the agreements for the above properties are described below:

(a) Cerro Las Minitas - Mexico

Pursuant to an agreement dated November 18, 2010, the Company can earn a 100% interest in the Cerro Las Minitas property located in Durango, Mexico.

Remaining staged payments are due as follows (plus applicable local taxes):

(i) US $300,000 on May 18, 2012 (paid subsequent to April 30, 2012);
(ii) US $800,000 on November 18, 2012;
(iii) US $1,000,000 on May 18, 2013; and
(iv) US $1,000,000 on November 18, 2013 (to be reduced by US $600,000 if optionor fails to deliver registered title to certain claims upon closing).

On October 24, 2011, the Company entered into a property purchase agreement with respect to a 5 hectare parcel of land that overlies portions of the above mineral claims. The property was acquired to provide a site for construction of a mill, if warranted, based upon results of ongoing exploration and was acquired in consideration for a cash payment of US$40,000 and issuance of 50,000 common shares of the Company.

(b) Minas de Ameca (Magistral Properties) - Mexico

Pursuant to an agreement dated July 4, 2006, as amended July 21, 2010, the Company can earn a 65% interest in the Magistral I mining exploration concession (“Magistral”) located in Mexico.

Remaining exploration commitments are due as follows:

(i) Incur in the aggregate a minimum of US $1,800,000 in exploration expenditures on or before July 21, 2011 (*); and
(ii) Incur in the aggregate a minimum of US $3,000,000 in exploration expenditures on or before July 21, 2012 (*).

* The Company has not complied with all the aforementioned terms of the property agreement and is currently renegotiating an amendment to the commitment terms.

Upon earning its interest, the Company will enter into a joint venture agreement (the “JV Agreement”) with the optionor for the development of Magistral and contribute 65% of all costs associated with the development of Magistral. The JV Agreement provides for pro-rata dilution should either party fail to pay its share of such costs and expenses. Should either party allow their interest to dilute to less than a 10% interest, its joint venture interest will automatically convert to a 1% net smelter return (“NSR”) royalty.

On October 18, 2006, the Company purchased a 100% interest in the 1,366 hectare El Magistral mineral concession in the Ameca region in the State of Jalisco, Mexico. The mineral concession is subject to a 1% NSR payable to the Mexican government and is considered part of the Magistral I concession pursuant to the terms of the above option agreement.

5. Mineral Properties, continued

(b) Minas de Ameca (Magistral Property) - Mexico, continued

A non-interest-bearing reclamation bond of $39,828 (Mexican peso 523,778) (April 30, 2011 - $43,012 : May 1, 2010 - $54,000) in regard to the 1% NSR royalty is being held in escrow by the Mexican government as security for future reclamation costs and is refundable upon completion of the exploration and reclamation program.

(c) Oro Property - New Mexico, USA

Pursuant to an agreement dated August 28, 2006, as amended, the Company can earn a 100% interest in several patented and unpatented mining claims in the Eureka Mining District, Grant County, New Mexico.

Remaining staged payments are due as follows:

(i) US $150,000 on or before August 28, 2012.

The property is subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US $500,000 for each increment.

Pursuant to an agreement effective December 1, 2007, the Company can acquire a 100% interest in the American Mine claims consisting of eight patented lode mining claims and surface rights to a contiguous property. The American Mine claims are adjacent to the above claims.

Remaining staged payments are due as follows:

(i) US $75,000 on or before December 1, 2012.

A non-interest-bearing reclamation bond of $43,389 (US $43,920) (April 30, 2011 - $nil : May 1, 2010 - $nil) is being held in escrow by the US government as security for future reclamation costs and is refundable upon completion of the exploration and reclamation program.

Pursuant to a lease with option to purchase agreement dated May 1, 2011, the Company can earn a 100% interest in six unpatented lode mining claims in the Eureka Mining District, Grant County, New Mexico.

Remaining lease payments are due as follows:

(i) US $6,000 annually from May 1, 2013 to May 1, 2017;
(ii) US $30,000 annually from May 1, 2018 to May 1, 2024; and
(iii) US $60,000 annually from May 1, 2025 to May 1, 2031.

The Company can purchase the property at any time by paying any amounts remaining under the lease. The property is subject to a 1% NSR payable to the optionors, which terminates when aggregate payments thereunder equal US $500,000.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

5. Mineral Properties, continued

(d) Dragoon Property - Arizona, USA

Pursuant to an agreement dated August 28, 2007, as amended, the Company can earn a 100% interest in certain claims located in the state of Arizona.

Remaining staged payments are due as follows:

(i) US $300,000 on or before August 28, 2013.

The property is subject to a 2% NSR payable to the optionors whom have granted the Company an option to purchase the NSR at any time in 0.5% increments at US $500,000 for each increment.

On August 26, 2009, the Company signed an earn-in agreement with Freeport-McMoRan Exploration Corporation ("FMEC") for the property. FMEC had the exclusive right and option to acquire a 70% ownership interest in the property by spending US $3,000,000 on the property by December 31, 2012. FMEC terminated the agreement on August 15, 2012.

(e) Exploration and Evaluation Expenses

Exploration expenditures incurred for the year ended April 30, 2012 were as follows:

	Mexico		**USA**		
Mineral Properties	**Minas de Ameca $**	**Cerro Las Minitas $**	**Oro $**	**Dragoon $**	**Total $**
Assays and geochemistry	-	48,081	58,346	-	106,427
Camp, utilities and supplies	-	25,380	3,292	-	28,672
Drilling services	-	1,415,178	312,538	-	1,727,716
Environmental	619	573	1,021	-	2,213
Equipment, rentals and supplies	-	23,329	16,199	-	39,528
Field supplies	-	66,410	-	-	66,410
Geological and geophysics	-	30,331	107,755	-	138,086
Other	-	-	4,978	-	4,978
Project supervision	-	406,645	7,634	4,645	418,924
Project support	-	50,886	-	-	50,886
Taxes	-	483,259	-	-	483,259
Travel	-	8,032	11,010	-	19,042
	619	**2,558,104**	**522,773**	**4,645**	3,086,141
General exploration - other					**31,296**
					3,117,437

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

5. Mineral Properties, continued

(e) Exploration and Evaluation Expenses, continued

Exploration expenditures incurred for the year ended April 30, 2011 were as follows:

	Mexico			USA		
Mineral Properties	**Minas de Ameca** $	**Cerro Las Minitas** $	**San Juan** $	**Oro** $	**Dragoon** $	**Total** $
Assays and geochemistry	-	3,568	327	4,887	-	8,782
Camp, utilities and supplies	1,460	17,236	226	2,906	-	21,828
Drilling services	-	175,739	-	-	-	175,739
Equipment, rentals and supplies	434	28,292	753	1,077	-	30,556
Geological and geophysics	3,615	247,285	149	103,682	2,163	356,894
Project supervision	7,139	154,753	3,988	339	17,154	183,373
Project support	225	25,583	-	247	-	26,055
Travel	1,596	8,557	-	10,058	-	20,211
Environmental	667	2,988	2,138	2,649	-	8,442
	15,136	**664,001**	**7,581**	**125,845**	**19,317**	831,880
General exploration - other						**79,398**
						911,278

(f) Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated title to its mineral property interests in accordance with industry standards for the current stage of exploration of such properties and, to the best of its knowledge, title to its properties are in good standing; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(g) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest.

5. Mineral Properties, continued

(g) Environmental, continued

The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

(h) Realization of Assets

Realization of the Company's investment in mineral properties is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements, the attainment of successful production from the properties, or from the proceeds of their disposal. The attainment of commercial production is in turn dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production.

6. Related Party Balances and Transactions

The Company entered into the following related party transactions during the year ended April 30, 2012.

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged as follows:

- $96,000 in respect of office space and general administration services (2011 - $96,000);
- $68,972 in respect of professional services (2011 - $57,322);
- $106,230 in respect of consulting services (2011 - $67,770);
- $141,420 in respect of investor relations services (2011 - $81,659);
- $27,691 in respect of geological consulting services in relation to mineral properties (2011 - $81,018);
- $31,003 in respect of the mark-up on out-of-pocket expenses (2011 - $8,116); and
- $7,140 in respect of office and general (2011 - $12,297).

Amounts payable as at April 30, 2012 were $16,977 (April 30, 2011 - $21,669 prepaids, May 1, 2010 - $11,025 prepaids).

(b) Pursuant to a consulting agreement, as amended, between the Company and a director and an officer of the Company, the Company was charged $112,320 (2011 - $112,320) for consulting services. Amounts payable as at April 30, 2012 were $nil (April 30, 2011 - $20,966, May 1, 2010 - $nil).

6. Related Party Balances and Transactions, continued

(c) Fees in the amount of $246,831 (2011 - $68,561) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2012 were $8,982 (April 30, 2011 - $4,161, May 1, 2010 - $2,576).

(d) Consulting fees relating to office administration of $18,000 (2011 - $24,000) were charged by a private company controlled by a director and an officer of the Company. Agreement expired effective February 1, 2012.

(e) Fees in the amount of $70,207 (2011 - $75,465) were charged by a director of the Company for geological services. Amounts payable as at April 30, 2012 were $nil (April 30, 2011 - $11,689, May 1, 2010 - $2,540).

(f) Fees in the amount of $20,000 (2011 - $nil) were charged by an officer of the Company for consultancy services. Amounts payable as at April 30, 2012 were $5,600 (April 30, 2011 - $nil, May 1, 2010 - $nil).

(g) Fees in the amount of $142,742 (2011 - $159,820) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consulting fees and share issue costs. Amounts payable as at April 30, 2012 were $8,400 (April 30, 2011 - $nil, May 1, 2010 - $nil).

(h) Fees of $38,828 (2011 - $37,752) were payable to independent directors. As at April 30, 2012, $18,204 was outstanding and included in accounts payable and accrued liabilities (April 30, 2011 - $nil, May 1, 2010 - $11,207).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

In addition to consulting fees paid to directors and other members of key management personnel (disclosed in (a - $92,500), (b), (d), (e), (f) and (h) above), the Company granted 250,000 stock options exercisable to purchase one common share at $0.15 per share for a period of five years with a total fair value of $31,413 (2011 - 1,085,000 stock options exercisable to purchase one common share at $0.17 per share for a period of five years with a total fair value of $138,498).

One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement as at April 30, 2012 was $243,360. The Company has no other employee or post-employment benefits.

7. Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(a) Private Placements

Completed during the year ended April 30, 2012

A non-brokered private placement was announced June 20, 2011, and amended June 30, 2011, to issue up to 23,530,000 units at a price of $0.17 per unit to raise gross proceeds of $4,000,100. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of $0.22 for a period of two years.

On July 27, 2011, the Company closed the first tranche of this private placement by issuing 14,151,706 units at $0.17 per unit for gross proceeds of $2,405,790. The Company issued 1,176,471 finders' units (consisting of one common share and one share purchase warrant with each warrant exercisable into one common share at $0.22 for a period of two years), with a fair value of $200,000, and 72,000 finders' warrants at an exercise price of $0.22 per share expiring on July 20, 2013, with a fair value of $4,479 (Note 7(e)).

On August 16, 2011, the Company closed the second tranche of this private placement by issuing 4,818,206 units at $0.17 per unit for gross proceeds of $819,095. The Company issued 328,421 finders' warrants with an exercise price of $0.22 per share expiring on August 16, 2013, with a fair value of $23,002 (Note 7(e)).

On August 29, 2011, the Company closed the final tranche of this private placement by issuing 43,534 units at $0.17 per unit for gross proceeds of $7,401. The Company issued 2,000 finders' warrants with an exercise price of $0.22 per share expiring on August 29, 2013, with a fair value of $127 (Note 7(e)).

A non-brokered private placement was announced November 7, 2011 to issue up to 8,000,000 units at a price of $0.15 per unit to raise gross proceeds of $1,200,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable to purchase one common share at an exercise price of $0.20 for a period of two years.

On December 5, 2011, the Company closed the first tranche of this private placement by issuing 6,417,000 units at $0.15 per unit for gross proceeds of $962,550. The Company issued 404,000 finders' warrants with an exercise price of $0.20 per share expiring on December 5, 2013, with a fair value of $28,340 (Note 7(e)).

On January 5, 2012, the Company closed the final tranche of this private placement by issuing 430,000 units at $0.15 per unit for gross proceeds of $64,500. The Company issued 10,000 finders' warrants with an exercise price of $0.20 per share expiring on January 5, 2014, with a fair value of $492 (Note 7(e)).

7. Share Capital, continued

(a) Private Placements, continued

A non-brokered private placement was announced March 12, 2012, and amended March 28, 2012, and April 3, 2012, to issue up to 20,000,000 units at a price of $0.10 per unit to raise $2,000,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable to purchase one additional common share for a period of three years at an exercise price of $0.17.

On April 23, 2012, the Company closed the first tranche of this private placement by issuing 6,627,000 units at a price of $0.10 per unit for gross proceeds of $662,700. The Company issued 182,000 finders' warrants with an exercise price of $0.17 per share expiring on April 23, 2015, with a fair value of $5,280 (Note 7(e)).

Completed during the year ended April 30, 2011

A non-brokered private placement was announced on October 13, 2010, and amended on November 24, 2010, to issue up to 25,000,000 units at a price of $0.10 per unit to raise $2,500,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one common share at $0.20 for a period of two years.

The Company issued 1,815,500 finders' warrants with an exercise price of $0.20 per share expiring October 27, 2012 through December 10, 2012, with a total fair value of $119,912 (Note 7(e)).

(b) Shares Issued for Mineral Properties

During the year ended April 30, 2012, the Company issued 300,000 (2011 - 50,000) common shares with a fair value of $49,250 (2011 - $5,000) with respect to mineral property option and acquisition agreements.

(c) Stock Options

The Company has a rolling stock option plan (the "Plan") that allows for the reservation of common shares issuable under the Plan to a maximum of 10% of the number of issued and outstanding common shares of the Company at any given time. The term of stock options granted under the Plan may not exceed ten years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

On November 8, 2011, the Company granted 500,000 fully vested stock options to a director and a consultant exercisable at $0.15 per share expiring November 8, 2016 (Note 7(e)).

On February 2, 2012, the Company entered into an investor relations agreement and granted 150,000 incentive stock options at an exercise price of $0.15 per share expiring February 2, 2017, vesting as to 25% upon grant, 25% on May 2, 2012, 25% on August 2, 2012 and 25% on November 2, 2012 (Note 7(e)).

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

7. Share Capital, continued

(c) Stock Options, continued

As at April 30, 2012 options were outstanding and exercisable as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance April 30, 2011	Granted	Expired	Balance April 30, 2012
$0.88	$0.80	June 1, 2011	350,000	-	350,000	-
$0.58	$0.54	March 1, 2012	1,090,000	-	1,090,000	-
$0.58	$0.41	March 26, 2012	100,000	-	100,000	-
$0.58	$0.37	October 19, 2012	25,000	-	-	25,000
$0.21	$0.12	March 26, 2013	455,000	-	-	455,000
$0.16	$0.15	January 8, 2015	2,565,000	-	50,000	2,515,000
$0.17	$0.13	November 29, 2015	2,380,000	-	-	2,380,000
$0.17	$0.11	December 13, 2015	315,000	-	-	315,000
$0.15	$0.13	November 8, 2016	-	500,000	-	500,000
$0.15	$0.10	February 2, 2017	-	150,000	-	150,000
Options outstanding			**7,280,000**	**650,000**	**1,590,000**	**6,340,000**
Options exercisable			**7,280,000**			**6,227,500**
Weighted average exercise price (outstanding)			$0.27	$0.15	$0.63	$0.17
Weighted average exercise price (exercisable)			$0.27			$0.17
Weighted average remaining life in years (outstanding)			3.27			3.13
Weighted average remaining life in years (exercisable)			3.27			3.10

As at April 30, 2011 options were outstanding and exercisable as follows:

Exercise Price	Grant Date Fair Value	Expiry Date	Balance May 1, 2010	Granted	Expired	Exercised	Balance April 30, 2011
$0.30	$0.27	October 13, 2010	205,000	-	205,000	-	-
$0.51	$0.43	November 8, 2010	400,000	-	400,000	-	-
$0.83	$0.64	January 16, 2011	175,000	-	175,000	-	-
$0.82	$0.72	March 27, 2011	125,000	-	125,000	-	-
$0.88	$0.80	June 1, 2011	435,000	-	85,000	-	350,000
$0.58	$0.54	March 1, 2012	1,145,000	-	55,000	-	1,090,000
$0.58	$0.41	March 26, 2012	100,000	-	-	-	100,000
$0.58	$0.37	October 19, 2012	25,000	-	-	-	25,000
$0.58	$0.39	December 4, 2012	25,000	-	25,000	-	-
$0.21	$0.12	March 26, 2013	525,000	-	35,000	35,000	455,000
$0.16	$0.15	January 8, 2015	3,200,000	-	200,000	435,000	2,565,000
$0.17	$0.13	November 29, 2015	-	2,500,000	-	120,000	2,380,000
$0.17	$0.11	December 13, 2015	-	315,000	-	-	315,000
			6,360,000	**2,815,000**	**1,305,000**	**590,000**	**7,280,000**
Weighted average exercise price			$0.35	$0.17	$0.52	$0.16	$0.27
Weighted average remaining life in years			3.14				3.27

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

7. Share Capital, continued

(d) Share Purchase Warrants

As at April 30, 2012 share purchase warrants were outstanding as follows:

Exercise Price	Expiry Date	Balance April 30, 2011	Granted	Expired	Exercised	Balance April 30, 2012
$0.20	June 10, 2012	11,851,500	-	-	4,000	11,847,500
$0.20	December 10, 2011	547,200	-	513,000	34,200	-
$0.20	June 24, 2012	2,740,000	-	-	-	2,740,000
$0.20	December 24, 2011	154,800	-	154,800	-	-
$0.20	October 27, 2012	9,900,000	-	-	-	9,900,000
$0.20	October 27, 2012	597,000	-	-	-	597,000
$0.20	November 26, 2012	10,601,000	-	-	-	10,601,000
$0.20	November 26, 2012	843,500	-	-	-	843,500
$0.20	December 10, 2012	4,499,000	-	-	-	4,499,000
$0.20	December 10, 2012	375,000	-	-	-	375,000
$0.22	July 20, 2013	-	14,151,706	-	-	14,151,706
$0.22	July 20, 2013	-	1,176,471	-	-	1,176,471
$0.22	July 20, 2013	-	72,000	-	-	72,000
$0.22	August 16, 2013	-	4,818,206	-	-	4,818,206
$0.22	August 16, 2013	-	328,421	-	-	328,421
$0.22	August 29, 2013	-	43,534	-	-	43,534
$0.22	August 29, 2013	-	2,000	-	-	2,000
$0.20	December 5, 2013	-	6,417,000	-	-	6,417,000
$0.20	December 5, 2013	-	404,000	-	-	404,000
$0.20	January 5, 2014	-	430,000	-	-	430,000
$0.20	January 5, 2014	-	10,000	-	-	10,000
$0.17	April 23, 2015	-	6,627,000	-	-	6,627,000
$0.17	April 23, 2015	-	182,000	-	-	182,000
		42,109,000	**34,662,338**	**667,800**	**38,200**	**76,065,338**
Weighted average exercise price		$0.20	$0.21	$0.20	$0.20	$0.20
Weighted average remaining life in years		1.39				0.97

On November 7, 2011, the Company extended the expiry date of 11,847,500 share purchase warrants from December 10, 2011 to June 10, 2012, and the expiry date of 2,740,000 share purchase warrants from December 24, 2011 to June 24, 2012 (Note 7(e)).

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

7. Share Capital, continued

(d) Share Purchase Warrants, continued

As at April 30, 2011 share purchase warrants were outstanding as follows:

Exercise Price	Expiry Date	Balance May 1, 2010	Granted	Exercised	Balance April 30, 2011
$0.20	December 10, 2011	14,570,000	-	2,718,500	11,851,500
$0.20	December 10, 2011	653,400	-	106,200	547,200
$0.20	December 24, 2011	3,590,000	-	850,000	2,740,000
$0.20	December 24, 2011	166,800	-	12,000	154,800
$0.20	October 27, 2012	-	9,900,000	-	9,900,000
$0.20	October 27, 2012	-	597,000	-	597,000
$0.20	November 26, 2012	-	10,601,000	-	10,601,000
$0.20	November 26, 2012	-	843,500	-	843,500
$0.20	December 10, 2012	-	4,499,000	-	4,499,000
$0.20	December 10, 2012	-	375,000	-	375,000
		18,980,200	**26,815,500**	**3,686,700**	**42,109,000**
Weighted average exercise price		$0.20	$0.20	$0.20	$0.20
Weighted average remaining life in years		1.62			1.39

(e) Fair Value Determination

The fair value of stock options and share purchase warrants granted and share purchase warrants modified were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	April 30, 2012			April 30, 2011	
	Options	Finders' Warrants	Modified Warrants	Options	Finders' Warrants
Risk-free interest rate	1.41%	1.07%	0.94%	2.39%	1.61%
Expected share price volatility	121.96%	99.24%	78.71%	118.26%	102.73%
Expected option/warrant life (years)	5.00	2.18	0.60	5.00%	2.00
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

Expected share price volatility was determined based on historical movements in the closing price of the Company's stock for a length of time equal to the expected life of the options and warrants.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

7. Share Capital, continued

(e) Fair Value Determination, continued

The total calculated fair value of share-based payments for the years ended April 30, 2012 and 2011 were included in the respective consolidated statements of comprehensive loss or changes in equity as follows:

	April 30, 2012	April 30, 2011
Statements of Comprehensive Loss		
Directors, officers and employees	$ 62,826	$ 351,911
Consultants	10,912	-
Modification of share purchase warrants	249,390	-
	323,128	351,911
Statements of Changes in Equity (agent warrants)	61,720	119,912
Total	$ 384,848	$ 471,823

8. Segmented Information

The Company has one business segment, the acquisition and exploration of mineral properties. The Company's total assets are distributed by geographic area as follows:

	April 30, 2012		April 30, 2011	
	$	%	$	%
Canada	513,279	16%	1,130,092	39%
Mexico	1,419,369	45%	868,915	30%
USA	1,243,384	39%	896,016	31%
	3,176,032	**100%**	**2,895,023**	**100%**

9. Supplemental Cash Flow Information

	2012	2011
Cash items		
Interest received	$ 8,870	$ 5,382
Income tax paid	$ -	$ -
Interest paid	$ -	$ -
Non-cash items		
Financing activities		
Shares issued for mineral property	$ 49,250	$ 5,000
Share issuance costs	$ 261,720	$ 119,912

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

10. Contingencies and Commitments

Contingencies

Certain claims have been filed against the Company as follows:

(a) A claim for US $80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was initiated in October 1998 and since then no further claims or legal proceedings have taken place.

(b) A claim for $6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

These consolidated financial statements do not reflect the liability, if any, which may result from these claims as the outcome of either claim is indeterminable at this time. The impact of any outcome will be recorded at the time of settlement and, accordingly, may impact future results of operations and cash flows.

Commitments

Under a service agreement between the Company and a company privately held by a director and officer of the Company, the Company is charged $8,000 monthly for office space and general administration services. The Company may terminate the agreement through written notice at any time by paying the monthly charge for the lesser of 12 months or the remainder of the term. The agreement expired on June 30, 2012 and the remaining fee commitment as at April 30, 2012 was $16,000 all due within one year.

On March 22, 2012, the Company entered into an amended service agreement with an effective date of June 30, 2012 whereby the Company will be charged $12,250 monthly for office space and general administration services. The Company may terminate the agreement through written notice at any time by paying the monthly charge for the lesser of twenty-four months or the remainder of the term. The amended agreement expires on August 31, 2017.

11. Income Tax

A reconciliation of the income tax charge computed at statutory rates to the reported loss before taxes is as follows:

	2012	2011
Income tax benefit at statutory rate of 26% (2011 - 27.83%)	$ 1,250,487	$ 711,879
Permanent differences	104,983	(55,798)
Temporary differences	54,917	15,510
Change in timing differences	(121,534)	17,833
Foreign exchange gains or losses	115,534	(193,120)
Change resulting from tax rate reduction	(88,107)	(47,781)
Adjustment attributable to income taxes of other countries	207,506	29,777
Unused tax losses and tax offsets not recognized	(1,523,786)	(478,300)
	$ -	$ -

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

11. Income Tax, continued

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

		2012		**2011**
Deferred income tax assets				
Tax value over book value of non-capital losses	$	375,204	$	162,895
		375,204		162,895
Deferred income tax liabilities				
Book value over tax value of mineral properties		(375,204)		(162,895)
Net deferred tax assets	$	-	$	-

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		2012		**2011**
Non-capital losses	$	20,933,248	$	15,164,947
Capital losses		56,084		56,084
Share issue costs		691,771		350,034
Tax value over book value of mineral properties		1,901,782		2,632,401
Tax value over book value of income tax credits		1,534		27,829
Tax value over book value of equipment		27,663		1,534
	$	23,612,082	$	18,232,829

The Company's approximate unrecognized non-capital losses expire as follows:

	CDN $	**US $**	**Mexican Pesos**
2014	138,000	-	-
2015	410,000	-	1,179,000
2016	-	-	11,625,000
2017	-	-	12,453,000
2018	-	-	17,365,000
2019	-	-	6,613,000
2020	-	-	4,373,000
2021	-	-	25,692,000
2022	-	-	42,121,000
2026	830,000	-	-
2027	1,206,000	-	-
2028	1,142,000	2,000	-
2029	760,000	1,719,000	-
2030	1,035,000	11,000	-
2031	1,062,000	5,000	-
2032	1,545,000	525,000	-
	8,128,000	2,262,000	121,421,000

12. Transition to IFRS

The accounting policies described in Note 2 have been applied in preparing the consolidated financial statements for the year ended April 30, 2012, the comparative information presented in these consolidated financial statements for the year ended April 30, 2011, and the consolidated statement of financial position at May 1, 2010. In preparing these consolidated financial statements, the Company has applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

Share-based payments

The Company elected to not apply IFRS 2: *Share-based Payment*, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS.

Business Combinations

The Company elected to not apply IFRS 3: *Business Combinations*, with respect to business combinations that occurred before the date of transition to IFRS. As a result of this election, no adjustments were required to the Company's consolidated statement of financial position as at May 1, 2010.

The following changes in accounting policies have been made on the transition to IFRS:

(a) Exploration Expenditures

The Company elected to retrospectively change its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, to align it with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based Payments

The Company elected to retrospectively change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders' options, and warrants are transferred to deficit. Previously, the Company's GAAP policy was to leave such amounts in reserves.

Notes to the Consolidated Financial Statements (Expressed in Canadian Dollars)

12. Transition to IFRS, continued

Reconciliation of Consolidated Statements of Financial Position

The table below provides a summary of the adjustments to the Company's consolidated statements of financial position:

		April 30, 2011		May 1, 2010
Total Assets per GAAP	$	5,965,397	$	4,104,063
Adjustment on adoption of IFRS				
Decrease in mineral properties		(3,070,374)		(2,241,687)
Total assets per IFRS	$	**2,895,023**	$	**1,862,376**
Total Liabilities per GAAP	$	256,059	$	87,196
Total Liabilities per IFRS		**256,059**		**87,196**
Total Equity per GAAP		5,709,338		4,016,867
Adjustment on adoption of IFRS				
Decrease in mineral properties		(3,070,374)		(2,241,687)
Decrease in reserves		(1,791,713)		(1,229,892)
Increase in deficit		1,791,713		1,229,892
Total Equity per IFRS		**2,638,964**		**1,775,180**
Total Liabilities and Equity per IFRS	$	**2,895,023**	$	**1,862,376**

Reconciliation of Consolidated Comprehensive Loss

The table below provides a summary of the adjustments to consolidated comprehensive loss for the year ended April 30, 2011:

Comprehensive Loss per GAAP	$	1,729,260
Adjustments on adoption of IFRS		
Increase in exploration expenditures		831,880
Increase in share-based payments		65,769
Decrease in mineral property impairment		(68,962)
Comprehensive Loss per IFRS	$	**2,557,947**

Reconciliation of Consolidated Cash Flows

The only material adjustments to consolidated cash flows arose due to the change in accounting policy for the treatment of exploration expenditures. Under IFRS, such expenditures are now treated as operating activities as opposed to investing activities under Canadian GAAP. Total cash balances remained unchanged on adoption of IFRS.

13. Events After the Reporting Period

In addition to the subsequent events disclosed elsewhere in these consolidated financial statements, the following events occurred subsequent to April 30, 2012:

- On June 5, 2012, the Company entered into a consultancy agreement for a period of one year. As part of this agreement, the Company granted 350,000 fully vested stock options at an exercise price of $0.10 per share exercisable for a period of five years.
- On June 10, 2012, 11,847,500 share purchase warrants with an exercise price of $0.20 expired unexercised.
- On June 24, 2012, 2,740,000 share purchase warrants with an exercise price of $0.20 expired unexercised.
- As part of a planned restructuring, on July 3, 2012 and July 25, 2012, respectively, the Company incorporated two wholly-owned integrated subsidiaries: Southern Silver Projects Limited, in the British Virgin Islands, and Exploraciones Magistral S.A de C.V., in Mexico.
- On July 30, 2012, 130,000 stock options with exercise prices between $0.16 and $0.21 per share expired unexercised.
- On August 13, 2012, 60,000 stock options with exercise prices between $0.16 and $0.21 per share expired unexercised.

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Management's Discussion and Analysis
For the Year Ended April 30, 2012
Dated: August 23, 2012

A. Introduction

The following Management's Discussion and Analysis ("MD&A") of the consolidated operating results and financial condition of Southern Silver Exploration Corp. (the "Company") is for the year ended April 30, 2012 and is dated August 23, 2012. This MD&A was prepared to conform to National Instrument 51-102F1 and was approved by the Board of Directors prior to its release. This analysis should be read in conjunction with the Company's audited consolidated financial statements for the year ended April 30, 2012 and the accompanying notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company's shares trade on both the TSX Venture Exchange ("TSX.V") under the symbol "SSV" and on the Frankfurt Stock Exchange under the symbol "SEG.F".

The Company's functional and reporting currency is the Canadian dollar and all dollar amounts are in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including detailed drill results previously disclosed in news releases, is available on the Company's website at www.southernsilverexploration.com and on SEDAR at www.sedar.com.

B. Qualified Persons

Robert W. J. Macdonald, P. Geo., is the qualified person under National Instrument 43-101 responsible for the technical information included in this MD&A and the supervision of work done in association with the exploration and development programs. Mr. Macdonald graduated with a B.Sc. degree from Memorial University of Newfoundland and a M.Sc. from the University of British Columbia. His work has focused on vein and intrusive-related gold systems and massive sulfide deposits.

Adrian Robles Salazar provides consulting services to the Company as Exploration Manager for Mexico. Mr. Robles has extensive experience with Mexican projects that was gained through his association with Minera Kennecott S.A. de C.V. and Western Silver Corporation.

C. Exchange Information and Conversion Tables

For ease of reference, the following information is provided:

Canadian Dollars per US Dollar (1)	Year ended April 30 2012	Year ended April 30 2011
Rate at end of year	0.9879	0.9486
Average rate for year	0.9958	1.0126
High for year	1.0549	1.0778
Low for year	0.9428	0.9486

Conversion Table (2) Imperial		Metric	
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Meters
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

C. Exchange Information and Conversion Tables (Continued)

Precious metal units and conversion factors [2]									
- Part per billion	1	ppb	=	0.0010	ppm	=	0.000030	oz/t
- Part per million	100	ppb	=	0.1000	ppm	=	0.002920	oz/t
- Ounce (troy)	10,000	ppb	=	10.0000	ppm	=	0.291670	oz/t
- Ounce per ton (avdp.)	1	ppm	=	1.0000	ug/g	=	1.000000	g/tonne
- Gram								
- gram per metric ton	1	oz/t	=	34.2857	ppm			
- milligram	1	Carat	=	41.6660	mg/g			
- kilogram	1	ton (avdp.)	=	907.1848	kg			
- microgram	1	oz (troy)	=	31.1035	g			

(1) Information from www.bankofcanada.ca
(2) Information from www.onlineconversion.com

D. Summary of Mineral Properties

The Company is currently exploring for precious and base metals in Mexico (Jalisco, Sinaloa and Chihuahua) and the USA (Arizona and New Mexico).

Cerro Las Minitas - Durango, Mexico

The property lies within the Faja de Plata (Belt of Silver) and is located about 70 kilometres to the northeast of the city of Durango in Durango State, Mexico, and is accessed easily by road. The property comprises 18 concessions totaling 15,125 hectares in one of the most significant silver producing regions in the world with current reserves/resources and historic production in excess of 3 billion ounces of silver. Certain claims are subject to receipt of registered title, failing receipt of which, will result in a reduction to final option payment obligations.

On October 24, 2011 the Company entered into a property purchase agreement with respect to a 5 hectare parcel of land that overlies portions of the above mineral claims. The property was acquired to provide a site for construction of a mill, if warranted, based upon results of ongoing exploration.

Small-scale mining, which has been active on the property since colonial times, has identified several types of silver-, lead- and zinc-enriched massive-sulphide pipes, veins and replacement deposits distributed in the skarn-altered margins of a large intrusive body in a similar geological environment that of major Mexican Carbonate Replacement Deposits (CRDs) such as Santa Eulalia (45Mt of 310g/t Ag, 7.1% Zn and 8.2% Pb) and Skarn deposits such as San Martin (60Mt of 118g/t silver, 0.9% copper and 3.9% zinc). The more recent discovery and development of the Nuestra Senora mine by Scorpio Mining Ltd. (6.3Mt of 106g/t Ag, 0.4% Cu, 1.4% Pb, 3.2% Zn), provides a more modern example of the development of these highly productive Mexican deposits.

Blind Zone

An initial phase of drilling on the property comprised 10 core holes totaling 3,008 metres, testing various widely-spaced targets, each of which with the potential to develop significant mineral inventories and was highlighted by a 3.3 metre mineralized interval in hole 11CLM-008 averaging 818g/t silver, 12.9% lead and 10.9% zinc. A second phase of drilling designed to test the Blind Zone, and several other prospective targets on the property, was started in September 2011. Surface work on other regional targets continues.

D. Summary of Mineral Properties (Continued)

Cerro Las Minitas - Durango, Mexico (Continued)

Blind Zone (Continued)

Drilling highlights include:

Hole No.	From m	To m	Interval m	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t
11CLM-008	168.40	171.37	2.97	894.64	0.24	0.03	13.76	11.64	1,583.64
inc	169.60	171.37	1.77	1,400.00	0.34	0.04	19.70	14.50	2,328.36
11CLM-011	65.78	68.40	2.62	178.50	0.06	0.35	5.61	6.59	537.43
	131.58	136.60	5.02	223.90	0.35	0.04	4.17	5.84	511.71
inc	134.45	135.60	1.15	540.00	0.48	0.13	9.50	18.70	1,324.81
11CLM-012	109.20	111.40	2.20	259.20	0.13	0.88	9.08	11.84	902.25
inc	109.20	110.08	0.88	336.00	0.18	1.39	12.70	12.20	1,134.18
11CLM-016	152.40	164.07	11.67	113.81	0.02	0.19	3.26	4.90	348.92
inc	158.18	159.75	1.57	390.00	0.07	0.52	11.85	17.10	1,209.09
11CLM-018	209.30	212.38	3.08	209.00	0.02	0.48	6.49	6.51	599.02
11CLM-022	209.33	210.25	0.92	611.00	0.13	0.66	18.50	13.05	1,514.76
	232.24	233.65	1.41	528.00	0.11	0.02	10.45	1.31	847.00
11CLM-023	293.80	320.50	26.70	69.26	0.06	0.11	1.95	2.34	193.95
inc	300.10	312.50	12.40	133.59	0.06	0.20	3.96	4.53	380.16
inc	310.00	311.60	1.60	404.00	0.04	0.37	13.20	11.45	1,093.05
11CLM-027	220.15	223.60	3.45	146.00	0.01	0.11	6.37	3.46	416.79
11CLM-032	378.35	382.05	3.70	159.27	1.47	0.07	4.14	4.53	474.60
inc	378.35	380.70	2.35	204.00	2.03	0.05	5.02	5.07	585.72
12CLM-041	138.50	143.10	4.60	203.32	0.03	0.26	4.95	4.23	472.28
inc	141.90	143.10	1.20	499.00	0.09	0.43	10.35	10.35	1,092.17
12CLM-042	190.10	191.70	1.60	72.30	0.14	0.05	0.62	0.16	105.04
12CLM-043	177.75	181.95	4.20	144.85	0.02	0.36	2.72	2.03	305.32
inc	180.60	181.95	1.35	398.00	0.04	1.11	7.30	6.22	860.92
12CLM-047	162.55	166.95	4.40	185.55	0.02	0.16	5.62	4.56	470.54
inc	162.55	165.50	2.95	254.00	0.02	0.18	7.82	4.88	608.57
12CLM-051	50.90	70.85	19.95	142.84	0.04	0.02	2.43	0.64	228.35
inc	60.70	66.90	6.20	237.97	0.05	0.01	3.24	0.15	331.86
inc	63.00	63.90	0.90	833.00	0.14	0.02	8.78	0.15	1,079.13
12CLM-054	169.00	170.70	1.70	230.00	0.01	0.23	6.21	9.33	663.45
12CLM-059	12.00	31.05	19.05	29.62	0.02	0.01	0.63	0.19	53.17
12CLM-061	86.25	96.80	10.55	76.21	0.01	0.02	1.88	0.61	144.72
inc	86.25	87.50	1.25	382.00	0.02	0.18	9.92	5.13	798.50
12CLM-062	280.00	282.55	2.55	160.00	0.01	0.47	3.65	2.89	376.90
inc	291.60	292.10	0.50	177.00	0.01	0.60	5.52	9.02	618.04

D. Summary of Mineral Properties (Continued)

Cerro Las Minitas - Durango, Mexico (Continued)

Blind Zone (continued)

Multiple mineralized intercepts have been identified in most drill holes and are open in all directions. A preliminary interpretation of the drill data suggests good continuity within three main mineralized structures associated with monzonitic and felsic intrusives and several secondary footwall and hanging wall zones. Drilling continues to extend the mineralized zones.

El Sol Zone

Initial drilling in early 2011 identified high-grade silver mineralization the El Sol zone, an area located approximately 150 metres to the east of the Blind zone mineralization. Further drilling continues to expand this zone mineralization both at depth and along strike.

Drilling highlights include:

Hole No.	From m	To m	Interval m	Ag g/t	Au g/t	Cu %	Pb %	Zn %	AgEq g/t
11CLM-006	215.48	223.25	7.77	220.91	0.14	0.08	6.21	2.08	455.45
inc	221.45	223.25	1.80	650.00	0.40	0.12	16.00	0.83	1,128.03
	424.20	427.90	3.70	183.55	0.03	1.95	0.34	18.44	863.70
inc	424.82	427.90	3.08	212.00	0.03	2.24	0.40	20.70	980.24
11CLM-027	0.57	25.35	24.78	124.03	0.03	0.09	1.86	2.07	238.53
	9.00	11.80	2.80	404.00	0.00	0.02	1.38	2.50	508.86
11CLM-029	96.60	99.25	2.65	51.63	0.01	0.04	2.44	0.82	142.41
12CLM-034	63.00	115.45	52.45	15.71	0.01	0.04	0.52	0.58	48.39
inc	79.50	81.15	1.65	119.00	0.02	0.15	3.32	3.89	325.37
	170.70	172.15	1.45	338.00	0.02	0.48	11.05	15.85	1,096.17
12CLM-038	59.50	74.50	15.00	29.10	0.01	0.03	0.26	1.10	68.09
inc	70.75	72.50	1.75	97.70	0.04	0.16	1.26	4.50	267.03
12CLM-044	57.55	83.60	26.05	67.01	0.03	0.10	2.83	3.28	239.24
inc.	61.10	63.20	2.10	130.00	0.02	0.18	5.75	6.27	466.33
and inc.	71.00	72.75	1.75	163.00	0.03	0.44	6.85	8.76	619.04
and inc.	78.25	80.70	2.45	153.00	0.06	0.10	6.33	7.46	530.62

Geological modeling of the Blind and El Sol Zones using a nominal 80g/t AgEq cut-off has identified multiple distinct mineralized structures with a 820 metre cumulative strike-length, with depth projections of up to 300 metres below surface. Mineralization occurs in sub-vertical structures that demonstrate good continuity between drill holes. True thickness of the mineralized intervals are estimated at 60% to 70% of the down hole thicknesses.

D. Summary of Mineral Properties (Continued)

Cerro Las Minitas - Durango, Mexico (Continued)

La Bocona

Drill hole 12CLM-058 tested a northwest extension of the deposit and returned a 1.3 metre interval grading 466g/t silver. Mineralization occurs within skarn and hornfels limestone on the eastern margin of a thick northwest-trending felsic dyke. This is a new target area located 750 metres to the northeast of the Blind Zone deposit and mineralization is open along strike for several hundred metres.

Additional drilling is planned to further test and delineate this new zone of mineralization.

South Skarn

Drilling has discovered a new highly encouraging zone of gold-copper mineralization. The new zone is gravel covered and is located approximately 1.5 kilometres to the southeast of the Blind Zone deposit and is open in all directions.

Two of three holes tested returned encouraging results. Drill hole 12CLM-031 intersected oxidized skarn mineralization from 74.4 to 165.0 metres depth. Elevated zinc values (>1000ppm Zn) occur through much of this drill intercept which includes a 2.4 metre interval averaging 16g/t silver, 0.2% copper and 9.8% zinc. Similarly, base and precious metal enriched skarn was intersected at the contact with the central monzonite porphyry in drill hole 12CLM-040 which is located approximately 300 metres to the northwest of hole 12CLM-031.

Drill hole 12CLM-055 intersected an outer zone of weakly to moderately altered limestone followed by a 37 metre thick diatreme breccia, an intermixed zone of hematite breccia, skarn-hornfels and aplite dyke before entering variably altered monzonite/feldspar porphyry. Strongly anomalous gold mineralization was identified over a 20 metre interval within the hematite breccia which averaged 0.8g/t gold and included a 4.3 metre interval averaging 2.8g/t gold and 28g/t silver. A second 4.3 metre interval averaging 1.4g/t gold, 89g/t silver and 1.8% copper was intersected further down hole and is hosted in chlorite-garnet skarn related to the adjacent intrusions.

Additional drilling is planned to further test and delineate this new zone of mineralization.

2012 Exploration Program

Twenty-nine drill holes totaling approximately 8,030 metres were completed on the project in 2011. An additional 7,510 metres in thirty-three drill holes have been completed to date in 2012. Assays from all drill holes have been received.

The Company has scheduled 20,000 metres of core drilling in 2012-2013, with the aim of completing a NI 43-101 compliant resource on these first set of targets by the end of the year. This will be the initial milestone toward the Company's goal of delineating a larger, multi-million tonne, high-grade, silver-enriched polymetallic resource on the project.

D. Summary of Mineral Properties (Continued)

Minas de Ameca - Jalisco, Mexico

The Minas de Ameca project encompasses a 131 sq. km claim package located along the western margin of the Sierra Madre Occidental terrane. Geological reconnaissance has identified several strongly mineralized, copper-rich breccia located at volcanic-intrusive contacts and numerous structurally controlled, quartz-hematite vein systems which occur along an 8 kilometre long mineralized trend extending southeast through the project area.

The concessions that make up the project include the Magistral I claims and the El Magistral claims which includes a historic producing mine from which copper was extracted, with some gold credits, from chalcopyrite, bornite and oxide ores.

Magistral I

The Magistral I property is accessible via a series of gravel roads from the town of Ameca, which is located 80 kilometers southwest of Guadalajara.

Since acquisition, the Company has completed a total of 4,832 metres of drilling in 20 drill holes in two states on the San Luis vein system and adjacent targets. Seventeen drill holes have tested an 800 metre strike length of the main San Luis vein structure to depths of up to 500 metres.

The system remains open along strike and down dip.

Final targets for a 10-hole 1,500 metre diamond drilling program on the San Luis prospect have been selected. Future drilling will test the on-strike and down-dip potential of the San Luis vein system and for additional adjacent veins.

El Magistral

The El Magistral 1,366 hectare mineral concession adjoins to the south La Sorpresa claims and, in turn, is bound to the east and south by the Magistral I concession.

Exploration to date tested the Magistral Mine target for a total of 747.1 metres of drilling. Several narrow intervals of anomalous silver, copper and precious metal values were returned from three of the drill holes. Only weakly anomalous values were returned from the drilling.

Oro - New Mexico, USA

The Oro Project comprises a contiguous block of Federal, State and Private land totaling 17.2 square kilometres in the historic Eureka mining district in Grant County, New Mexico and is located approximately 40 kilometres southwest of the Silver City porphyry copper district. The Company also recently acquired two parcels of New Mexico State Land, which are critical to the further evaluation of the Oro property and which had previously hampered exploration due to fragmented land holdings in the District.

The Company has now completed a 4-hole 1,697 metre diamond drill program on the project. Drilling tested several deposit types, including bulk-tonnage intrusion-related gold, polymetallic replacement (CRD)/skarn deposits, and copper-gold porphyries.

D. Summary of Mineral Properties (Continued)

Oro - New Mexico, USA (Continued)

Two holes were drilled near the central, highly altered portion of the property, and the third and fourth holes were drilled on the periphery of the 5 kilometre by 2.5 kilometre alteration zone.

Hole OR11-006 intersected 9.1 metres of 0.37% Cu within a 43 metre interval averaging 0.14% Cu. A second 50 metre interval averaging 0.1% Cu was intersected deeper in the hole. Strongly altered, multiphase intrusions and skarn were encountered throughout the entire hole, with the strongest copper values surrounding a zone of intense potassic alteration.

Hole OR11-007 was drilled 520 metres northwest of OR11-006 and encountered anomalous arsenic and gold, with a high value of 0.90 grams gold per tonne over 0.8 metres. The other two holes contain only anomalous metal values. All holes at depth encountered strongly altered intrusive rocks with anomalous metals, reflecting the large size of this mineral system.

The Company is evaluating the results and soliciting advice from an expert in porphyry copper deposits. Down hole electrodes were placed in two holes, including OR11-006, to be utilized by a planned IP geophysical survey to further delineate drill targets.

Mapping and sampling peripheral to the main altered area at the property has identified the Stock pond disseminated gold target, which was staked by the Company. This new shallow gold target is defined by 14 samples, all of which returned anomalous gold assays from 0.062 to 4.8 g/t Au, from small silicified sandstone outcrops that protrude through gravel.

Eight of the 14 samples contained more than 0.4 g/t Au. The outcrops are within an area measuring approximately 250 metres by 150 metres, and anomalous soil samples containing from 0.01 g/t to 0.12 g/t Au indicate that the mineralized area may be much larger beneath the shallow gravel cover. Permits have been received for additional drill testing of up to 14 holes that is expected to be completed later this year.

Dragoon Property - Arizona, USA

The Dragoon property is a contiguous block of 1,280 ha, located 90 kilometers southeast of Tucson, Arizona, comprising 68 unpatented mining claims and 4 state leases that contain areas of exposed Cu-Mo mineralization, Laramide-age monzogranite porphyry and geothitic "leached capping" which occur in the eastern part of the property and a larger down-dropped block of prospective Paleozoic stratigraphy in the gravel-covered western portion of the property.

As part of its earn-in agreement, Freeport-McMoRan Exploration Corp. ("FMEC") explored the property through drilling of 3 holes, totalling 3,288.5 metres, to test for copper mineralization at depth. Assay results from the three holes suggest a strengthening of the mineralization toward the northeast with the best results from drill hole DS-11-02 which encountered over 500 metres of variably altered and mineralized Paleozoic marbles and porphyritic Laramide intrusive. Quartz veining and variable amounts of copper and molybdenum sulphides occur through much of the target interval which averaged 0.06% copper over 527 metres in the lower part of the drill hole.

FMEC advised the Company that it has terminated the earn-in agreement and has delivered to the Company geological data which is currently being analyzed by the Company's consultants with the intent to recommend further exploration work on the property.

D. Summary of Mineral Properties (Continued)

Acquisition costs

The Company's accounting policy related to expenditures incurred for the acquisition of mineral properties is to capitalize on a property-by-property basis, net of recoveries. During the year ended April 30, 2012 the Company incurred acquisition costs on its mineral properties as follows:

	Balance April 30, 2011	Additions Q1	Q2	Q3	Q4	Balance April 30, 2012
	$	$	$	$	$	$
Minas de Ameca	241,560	61,485	-	28,350	-	331,395
Cerro Las Minitas	400,717	304,520	2,841	324,468	8,552	1,041,098
Oro	818,535	1,429	153,457	112,251	6,127	1,091,799
Dragoon	77,480	-	-	-	-	77,480
Total	**1,538,292**	**367,434**	**156,298**	**465,069**	**14,679**	**2,541,772**

Exploration costs

The Company's accounting policy related to expenditures incurred for the exploration and development of mineral properties are expensed to the consolidated statement of comprehensive loss in the period in which they are incurred. During year ended April 30, 2012 the Company incurred exploration costs on its mineral properties as follows:

	Incurred to April 30, 2011	Additions Q1	Q2	Q3	Q4	YTD	Incurred to April 30, 2012
	$	$	$	$	$	$	$
Minas de Ameca	1,578,570	-	-	-	619	619	1,579,189
Cerro Las Minitas	702,524	304,673	466,597	517,164	1,269,670	2,558,104	3,260,628
Oro	710,873	6,583	119,729	354,604	41,857	522,773	1,233,646
Dragoon	78,407	680	521	1,024	2,420	4,645	83,052
General Exploration		8,793	5,015	10,871	6,617	31,296	
		320,729	**591,862**	**883,663**	**1,321,183**	**3,117,437**	

E. Results of Operations

During the year ended April 30, 2012, the Company incurred a net loss and comprehensive loss of $4,809,566 (April 30, 2011 - $2,557,947).

Consulting, investor relations, shareholders' communications and travel and promotion expenses fluctuate based on the number of conferences and trade shows attended and other work performed in preparation of financing activities.

E. Results of Operations (Continued)

As per the Company's mandate to acquire, explore, and develop mineral resource properties, the Company has steadily invested in its mineral properties and exploration expenditures incurred have increased significantly during 2012 compared to 2011.

Professional fees decreased as a result of efficiency gains and fewer such services being required in the year.

Foreign exchange gain increased due to favorable exchange rates which prevailed during the year.

Mineral property impairments decreased as the Company is now concentrating on developing its core properties.

Non-cash share-based payments with respect to granting of stock options decreased compared to 2011 due to fewer stock options being granted in 2012. A non-cash expense was recognized in 2012 with respect to the modification of the terms of outstanding share purchase warrants that took place during that year.

The following table summarizes the variances in the consolidated statements of comprehensive loss prepared in accordance with IFRS:

	2012	2011	Variance	
	$	$	$	%
Expenses				
Administration	96,000	96,000	-	0%
Consulting	373,876	230,090	143,786	62%
Exploration and evaluation	3,117,437	911,278	2,206,159	242%
Independent directors' fees	38,828	37,752	1,076	3%
Investor relations	421,194	195,723	225,471	115%
Office and general	98,692	70,478	28,214	40%
Professional fees	148,634	195,184	(46,550)	(24%)
Regulatory fees and taxes	18,556	14,554	4,002	27%
Share-based payments	73,738	351,911	(278,173)	(79%)
Shareholders' communications	25,831	15,838	9,993	63%
Transfer agent	17,434	15,803	1,631	10%
Travel and promotion	164,117	98,322	65,795	67%
Other Items				
Interest income	(8,870)	(5,382)	3,488	65%
Foreign exchange (gain) loss	(25,291)	14,460	39,751	(275%)
Impairment of mineral properties	-	315,936	(315,936)	(100%)
Modification of share purchase warrants	249,390	-	249,390	-

F. Summary of Quarterly Results

The following financial data was derived from the Company's consolidated financial statements for the eight previous quarters prepared in accordance with IFRS:

	Apr 30, 2012 $	Jan 31, 2012 $	Oct 31, 2011 $	Jul 31, 2011 $	Apr 30, 2011 $	Jan 31, 2011 $	Oct 31, 2010 $	Jul 31, 2010 $
Net and comprehensive loss	1,721,296	1,627,000	870,701	590,569	953,334	900,510	387,491	316,612
Basic and diluted loss per	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.01	$0.00

The Company earned no revenue during the periods presented other than minimal interest income due to the nature of the industry and its current operations.

Quarterly fluctuations mainly relate to recognition of share-based payments which varies as stock options are granted or terms of outstanding options and warrants are modified, foreign exchange gains and losses which vary with market rates and mineral property exploration expenses or impairments which occur as projects are identified and drilling results are analyzed.

G. Fourth Quarter

No unusual events affected the Company's financial performance or cash flows during the fourth quarter. Period end activity all related to continued equity-financed exploration.

H. Summary of Annual Information

The following represents certain financial data for the previous three fiscal years:

	IFRS		Canadian GAAP
	2012 $	**2011** $	**2010** $
Net loss and Comprehensive loss	4,809,566	2,557,947	2,365,700
Basic and diluted loss per share	0.04	0.03	0.05
Current assets	520,328	1,313,719	738,043
Other non-current assets	113,932	43,012	54,000
Mineral properties	2,541,772	1,538,292	3,312,020
Total assets	3,176,032	2,895,023	4,104,063
Total non-current financial liabilities	-	-	-
Cash dividends per common share	-	-	-

The Company earned no revenue during the periods presented other than minimal interest income as the Company is currently in the exploration stage. The Company's operating costs fluctuated over the periods presented due to additional costs that may be incurred for financing or other ad-hoc projects and due to mineral property exploration as finance and assessments have permitted.

To date, the Company has not paid dividends and does not have any long-term financial liabilities.

I. Related Party Information

The Company entered into the following related party transactions during the year ended April 30, 2012.

(a) Under the service agreement, as amended, between the Company and a company privately held by a director and an officer of the Company, the Company was charged as follows:

- $96,000 in respect of office space and general administration services (2011 - $96,000);
- $68,972 in respect of professional services (2011 - $57,322);
- $106,230 in respect of consulting services (2011 - $67,770);
- $141,420 in respect of investor relations services (2011 - $81,659);
- $27,691 in respect of geological consulting services in relation to mineral properties (2011 - $81,018);
- $31,003 in respect of the mark-up on out-of-pocket expenses (2011 - $8,116); and
- $7,140 in respect of office and general (2011 - $12,297).

Amounts payable as at April 30, 2012 were $16,977 (April 30, 2011 - $21,669 prepaids).

(b) Pursuant to a consulting agreement, as amended, between the Company and a director and an officer of the Company, the Company was charged $112,320 (2011 - $112,320) for consulting services. Amounts payable as at April 30, 2012 were $Nil (April 30, 2011 - $20,966).

(c) Fees in the amount of $246,831 (2011 - $68,561) were charged by a law firm controlled by a director and an officer of the Company and included in professional fees, share issue costs and mineral property expenditures. Amounts payable as at April 30, 2012 were $8,982 (April 30, 2011 - $4,161).

(d) Consulting fees relating to office administration of $18,000 (2011 - $24,000) were charged by a private company controlled by a director and an officer of the Company. Agreement expired effective February 1, 2012.

(e) Fees in the amount of $70,207 (2011 - $75,465) were charged by a director of the Company for geological services. Amounts payable as at April 30, 2012 were $Nil (April 30, 2011 - $11,689).

(f) Fees in the amount of $20,000 (2011 - $Nil) were charged by an officer of the Company for consultancy services. Amounts payable as at April 30, 2012 were $5,600 (April 30, 2011 - $Nil).

(g) Fees in the amount of $142,742 (2011 - $159,820) were charged by a private company controlled by a former director and officer of the Company for consultancy services and included in consultancy fees and share issue costs. Amounts payable as at April 30, 2012 were $8,400 (April 30, 2011 - $Nil).

(h) Fees of $38,828 (2011 - $37,752) were payable to independent directors. As at April 30, 2012, $18,204 was outstanding and included in accounts payable and accrued liabilities (April 30, 2011 - $nil).

These transactions were in the normal course of operations and were measured at the fair value of the services rendered. Amounts due to related parties are unsecured, non-interest-bearing, and have no formal terms of repayment.

The key management personnel of the Company are the directors and officers of the Company.

In addition to consulting fees paid to directors and other members of key management personnel (disclosed in (a - $92,500), (b), (d), (e), (f) and (h) above), the Company granted 250,000 stock options exercisable to purchase one common share at $0.15 per share for a period of five years with a total fair value of $31,413 (2011 - 1,085,000 stock options exercisable to purchase one common share at $0.17 per share for a period of five years with a total fair value of $138,498).

I. Related Party Information (Continued)

One executive officer is entitled to termination benefits in the event of a change of control equal to one hundred percent of the compensation that would have been paid during the unexpired term of their agreement. The remaining balance payable under the agreement as at April 30, 2012 was $243,360. The Company has no other employee or post-employment benefits.

J. Financial Condition, Liquidity and Capital Resources

The Company has limited financial resources and finances its operations by raising capital in the equity markets. For the near future, the Company will need to rely on the sale of such securities and/or enter into joint venture agreements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral property acquisition and exploration activities.

Although the Company has been successful in obtaining financing through sale of its securities, there can be no assurance that the Company will be able to obtain adequate financing in the future in light of factors such as the market demand for its securities, the general state of financial markets and other relevant factors.

Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with a possible loss of some properties and reduction or termination of operations.

As at April 30, 2012, the Company had a working capital deficiency of $77,042 (April 30, 2011: surplus of $1,057,660). The Company has been reducing general and administration costs, where possible, negotiating extended payment terms of its trade payables, and reviewing its capital expenditure plan and future commitments to identify opportunities to reduce or delay spending and payments.

However, as at April 30, 2012, the cash balance of $452,344 would be insufficient to meet the cash requirements for the Company's administrative overhead and maintaining its mineral interests in the year to come, therefore, the Company will be required to raise additional capital in order to fund its operations.

i) Contingencies

Certain claims have been filed against the Company as follows:

(a) A claim for US $80,000 plus 50,000 common shares of the Company relating to a property option agreement. The Company has relinquished the subject property and management believes that the claim has no merit. The claim was initiated in October 1998 and since then no further claims or legal proceedings have taken place.

(b) A claim for $6,905 exists relating to a property option agreement. Management believes that the claim has no merit.

The consolidated financial statements do not reflect the liability, if any, which may result from these claims as the outcome of either claim is indeterminable at this time. The impact to any outcome will be recorded at the time of settlement and, accordingly, may impact future results of operations and cash flows.

J. Financial Condition, Liquidity and Capital Resources (Continued)

ii) Commitments

Under a service agreement between the Company and a company privately held by a director and officer of the Company, the Company is charged $8,000 monthly for office space and general administration services. The Company may terminate the agreement through written notice at any time by paying the monthly charge for the lesser of 12 months or the remainder of the term. The agreement expired on June 30, 2012 and the remaining fee commitment as at April 30, 2012 was $16,000 all due within one year.

On March 22, 2012, the Company entered into an amended service agreement with an effective date of June 30, 2012 whereby the Company will be charged $12,250 monthly for office space and general administration services. The Company may terminate the agreement through written notice at any time by paying the monthly charge for the lesser of twenty-four months or the remainder of the term. The amended agreement expires on August 31, 2017.

K. Outstanding Equity and Convertible Securities

i) Issued and Outstanding Shares

As at April 30, 2012 and August 23, 2012, the Company had 128,240,913 common shares issued and outstanding. No shares were issued, cancelled or re-issued between April 30, 2012 and August 23, 2012.

ii) Stock Options

As at August 23, 2012, the Company had stock options outstanding as follows:

Exercise Price	Expiry Date	Balance April 30, 2012	Granted	Expired	Balance August 23, 2012
$0.58	October 19, 2012	25,000	-	-	25,000
$0.21	March 26, 2013	455,000	-	40,000	415,000
$0.16	January 8, 2015	2,515,000	-	80,000	2,435,000
$0.17	November 29, 2015	2,380,000	-	70,000	2,310,000
$0.17	December 13, 2015	315,000	-	-	315,000
$0.15	November 8, 2016	500,000	-	-	500,000
$0.15	February 2, 2017	150,000	-	-	150,000
$0.10	June 5, 2017	-	350,000	-	350,000
Options outstanding		**6,340,000**	**350,000**	**190,000**	**6,500,000**
Options exercisable		**6,227,500**			**6,462,500**
Weighted average exercise price (outstanding)		$0.17	$0.10	$0.17	$0.16
Weighted average exercise price (exercisable)		$0.17			$0.16
Weighted average remaining life in years (outstanding)		3.13			2.94
Weighted average remaining life in years (exercisable)		3.10			2.93

K. Outstanding Equity and Convertible Securities (Continued)

iii) Share Purchase Warrants

As at August 23, 2012, the Company had share purchase warrants outstanding as follows:

Exercise Price	Expiry Date	Balance April 30, 2012	Expired	Balance August 23, 2012
$0.20	June 10, 2012	11,847,500	11,847,500	-
$0.20	June 24, 2012	2,740,000	2,740,000	-
$0.20	October 27, 2012	9,900,000		9,900,000
$0.20	October 27, 2012	597,000		597,000
$0.20	November 26, 2012	10,601,000		10,601,000
$0.20	November 26, 2012	843,500		843,500
$0.20	December 10, 2012	4,499,000		4,499,000
$0.20	December 10, 2012	375,000		375,000
$0.22	July 20, 2013	14,151,706		14,151,706
$0.22	July 20, 2013	1,176,471		1,176,471
$0.22	July 20, 2013	72,000		72,000
$0.22	August 16, 2013	4,818,206		4,818,206
$0.22	August 16, 2013	328,421		328,421
$0.22	August 29, 2013	43,534		43,534
$0.22	August 29, 2013	2,000		2,000
$0.20	December 5, 2013	6,417,000		6,417,000
$0.20	December 5, 2013	404,000		404,000
$0.20	January 5, 2014	430,000		430,000
$0.20	January 5, 2014	10,000		10,000
$0.17	April 23, 2015	6,627,000		6,627,000
$0.17	April 23, 2015	182,000		182,000
		76,065,338	**14,587,500**	**61,477,838**
Weighted average exercise price		$0.20	$0.20	$0.20
Weighted average remaining life in years		0.97		0.86

L. Subsequent Events and Outlook

There are no significant events subsequent to the date of this document.

M. Financial Instruments

The Company's financial instruments include cash, other receivables, reclamation bonds, accounts payable and amounts due to related parties which are classified into the following categories:

Cash	Fair value through profit or loss
Receivable advances	Loans and receivables
Reclamation bonds	Loans and receivables
Accounts payable	Other financial liabilities
Amounts due to related parties	Other financial liabilities

The carrying values of cash, receivable advances (April 30, 2012 - $7,049 : April 30, 2011 - $4,746), accounts payable and accrued liabilities and amounts due to related parties estimate their fair values due to the short period to maturity. Reclamation bonds are non-interest-bearing, have no maturity date and carrying values approximate fair value.

Other than cash, the Company's financial instruments have no material risk exposure. Risk is managed with respect to cash by risk management policies that require cash deposits or short-term investments be invested with Canadian chartered banks rated BBB or better, or commercial paper issuers R1/A2/P2 or higher. In addition, all investments must be less than one year in duration.

N. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

O. Disclosure Controls and Procedures

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors, who meet at least quarterly with management and, at least annually with the external auditors to review accounting, internal control, financial reporting, and audit matters.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

The audit committee has established procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The Whistleblower policy is in accordance with National Instrument 52-110 Audit Committees, National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

Being a venture issuer, the Company is exempted from the certification on Disclosure Controls and Procedures and Internal Control Over Financial Reporting. The Company is required to file Form 52-109FV1 for annual reporting.

P. Risks and Uncertainties

The principal business of the Company is the acquisition, exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered:

Exploration Stage Company

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration.

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

No Operating History and Availability of Financial Resources

The Company does not have an operating history and has no operating revenues and is unlikely to generate any significant amount in the foreseeable future. Hence, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the issuance of securities.

The Company will need to continue its reliance on the issuance of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favorable terms, if at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to forfeit its interests in some or all of its properties or to reduce or discontinue its operations.

Price Volatility and Lack of Active Market

In recent months, the securities markets in Canada and elsewhere have experienced a high level of price and volume volatility, and the market prices of securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline below the subscription price.

P. Risks and Uncertainties (Continued)

Competition

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify and investigate such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

Government Regulations and Environmental Risks and Hazards

The Company conduct is subject to various federal, provincial, state laws, rules and regulations, including environmental legislation. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource property interests, the potential for production on the property may be diminished or negated.

The Company has adopted environmental practices designed to ensure that it continues to comply with environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. Environmental hazards may exist on the Company's properties, which may have been caused by previous or existing owners or operators of the properties. The Company is not aware of any existing environmental hazards related to any of its current property interests that may result in material liability to the Company.

Title to Property

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interest may be subject to prior unregistered agreements or transfers, aboriginal land claims, government expropriation and title may be affected by undetected defects. In addition, certain mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties.

Dependence on Key Personnel

The Company is dependent on a relatively small number of key directors, officers and senior personnel. Loss of any one of those persons could have an adverse effect on the Company. The Company does not currently maintain "key-man" insurance in respect of any of its management.

P. Risks and Uncertainties (Continued)

Licenses and Permits

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

Q. Changes in Accounting Policies, Including Initial Adoption

IFRS

The consolidated financial statements for the year ended April 30, 2012 are the Company's first annual consolidated financial statements prepared under IFRS, as stated in the accounting policies described in note 2 in those statements. In preparing the consolidated financial statements, the Company applied IFRS 1, which provides guidance for an entity's initial adoption of IFRS.

The following are the optional exemptions available under IFRS 1 that the Company has elected to apply:

Share-based Payments

The Company elected to not apply IFRS 2: *Share-based Payment*, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS.

Business Combinations

The Company elected to not apply IFRS 3: *Business Combinations*, with respect to business combinations that occurred before the date of transition to IFRS. As a result of this election, no adjustments were required to the Company's consolidated statement of financial position as at May 1, 2010.

The following changes in accounting policies have been made on the transition to IFRS:

(a) Exploration Expenditures

The Company elected to retrospectively change its accounting policy for the treatment of exploration expenditures to a policy of expensing all exploration expenditures, so as to align itself with policies applied by other comparable companies at a similar stage in the mining industry.

(b) Share-based Payments

The Company elected to retrospectively change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options, finders' options, and warrants are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in reserves.

Q. Changes in Accounting Policies, Including Initial Adoption (Continued)

IFRS (Continued)

Reconciliation of Consolidated Statements of Financial Position

The table below provides a summary of the adjustments to the Company's consolidated statements of financial position:

		April 30, 2011		May 1, 2010
Total Assets per GAAP	$	5,965,397	$	4,104,063
Adjustment on adoption of IFRS				
Decrease in mineral properties		(3,070,374)		(2,241,687)
Total assets per IFRS	$	**2,895,023**	$	**1,862,376**
Total Liabilities per GAAP	$	256,059	$	87,196
Total Liabilities per IFRS		**256,059**		**87,196**
Total Equity per GAAP		5,709,338		4,016,867
Adjustment on adoption of IFRS				
Decrease in mineral properties		(3,070,374)		(2,241,687)
Decrease in reserves		(1,791,713)		(1,229,892)
Increase in deficit		1,791,713		1,229,892
Total Equity per IFRS		**2,638,964**		**1,775,180**
Total Liabilities and Equity per IFRS	$	**2,895,023**	$	**1,862,376**

Reconciliation of Consolidated Comprehensive Loss

The table below provides a summary of the adjustments to consolidated comprehensive loss for the year ended April 30, 2011:

Comprehensive Loss per GAAP	$	1,729,260
Adjustments on adoption of IFRS		
Increase in exploration expenditures		831,880
Increase in share-based payments		65,769
Decrease in mineral property impairment		(68,962)
Comprehensive Loss per IFRS	$	**2,557,947**

Reconciliation of Consolidated Cash Flows

The only material adjustments to cash flows arose due to the change in accounting policy for the treatment of exploration expenditures. Under IFRS, such expenditures are now treated as operating activities as opposed to investing activities under Canadian GAAP. Total cash balances remained unchanged on adoption of IFRS.

Q. Changes in Accounting Policies, Including Initial Adoption (Continued)

Future Accounting Standards Changes

IFRS 9: *Financial Instruments* was issued in November 2009 as the first step to replace IAS 39: *Financial Instruments: Recognition and Measurement*. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 also amends some of the requirements of IFRS 7: *Financial Instruments: Disclosures*, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income / loss and guidance on financial liabilities and de-recognition of financial instruments. In December 2011, an amendment was issued that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 10: *Consolidated Financial Statements* was issued in May 2011 to replace IAS 27: *Consolidated and Separate Financial Statements* and SIC 12: *Consolidation – Special Purpose Entities*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. IFRS 10 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 10 on its consolidated financial statements.

IFRS 11: *Joint Arrangements* was issued in May 2011 to replace IAS 31: *Interests in Joint Ventures*. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 11 on its consolidated financial statements.

IFRS 12: *Disclosure of Interests in Other Entities* was issued in May 2011 to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 12 on its consolidated financial statements.

IFRS 13: *Fair Value Measurement* was issued in May 2011 as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. IFRS 13 must be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRS 13 on its consolidated financial statements.

Q. Changes in Accounting Policies, Including Initial Adoption (Continued)

Future Accounting Standards Changes (Continued)

IAS 28: *Investments in Associates and Joint Ventures* (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 must be applied starting January 1, 2013 with early adoption permitted. If the Company applies this standard earlier, it must disclose that fact and apply IFRS 10, IFRS 11, and IFRS 12 at the same time. The Company is currently assessing the impact of adopting IAS 28 on its consolidated financial statements.

R. Proposed Transactions

Other than normal course review of monthly submittals, there are no new acquisitions or proposed transactions contemplated as at the date of this report.

S. Forward-Looking Statements

Some of the statements contained in this MD&A may be deemed "forward-looking statements." These include estimates and statements that describe the Company's future plans, objectives or goals, and expectations of a stated condition or occurrence. Forward-looking statements may be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as but not limited to; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

Readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not assume any obligation to update or revise any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws, whether as a result of new information, future events or otherwise.