OREX MINERALS INC.
(An Exploration Stage Company)
ANNUAL REPORT TO SHAREHOLDERS
April 30, 2010
(Expressed in Canadian Dollars)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED APRIL 30, 2010 AND 2009

Dated: August 20, 2010

Management's Responsibility for Financial Reporting:

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

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

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

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

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

Description of Business:

The Company is engaged primarily in the acquisition and exploration of mineral properties.

SANTA CRUZ, MEXICO:

On June 21, 2007, the Company announced that it had entered into an option agreement with Silverex S.A. de C.V. ("Silverex") to acquire up to a 75% interest in its Santa Cruz property in Durango, Mexico. Under the terms of the agreement, to earn an undivided 50% interest, the Company would issue 500,000 common shares and pay US $800,000 to Silverex upon the TSX Venture Exchange (the "Exchange") acceptance of the agreement. After one year from the date of acceptance, based on the success of the exploration, the Company would to issue an additional 500,000 common shares and pay an additional US $800,000. After the second anniversary, the Company would make an additional cash payment to bring the total value of cash payments and share issuances to US $4,000,000. In addition, the Company was required to incur a minimum of US $500,000 of expenditures on the property in each year from the acceptance date for a total period of four years. At any time during this initial four-year program period, the Company has the option to earn an additional undivided 25% interest, having met the above share issue and cash payment requirements, by issuing additional common shares having a deemed value of US $1,000,000 and pay an additional US $3,000,000. Upon earning an undivided 75% interest, Orex and Silverex would participate on a joint venture basis in further exploration and development of the Santa Cruz property.

Description of Business (continued):

SANTA CRUZ, MEXICO (continued):

Pursuant to the terms of the Santa Cruz property agreement, the Company paid acquisition costs of $1,318,700 (US $1,250,000) and issued 1,000,000 common shares, valued at $270,000, to Silverex. The Company did not complete all required payments under the option agreement and was required to make an additional US$350,000 payment prior to November 1, 2008. During fiscal 2010, Silverex and the Company entered into negotiations to amend the agreement in the best interests of both parties.

Located in the Sierra Madre Occidental Mountains, Otaez Municipality, midway between Tayoltita (San Dimas) and Topia mining camps, the Santa Cruz property is in one of the world's most prolific mineral belts. Santa Cruz is an epithermal gold-silver camp divided into three structural districts. The property hosts three main gold-silver bearing districts, the Eastern, Central and Western, as well as the previously operating Santa Cruz Mine. Road access to the Orozco area of the Eastern District and the Zambraneña area of the Western District was completed by the Company.

In November 2007, the Company paid $506,750 (US $500,000) to reinstate an existing 90 ton/day mill facility to operating condition. The Santa Cruz Mill commenced test operation in mid-June 2008 at an initial rate of 50 tpd, utilizing the south ball-mill and south banks of flotation cells. For a brief period, the hand-cobbed tennantite program operated in the La Fragua area, under the direction of Silverex. In August 2008, severity of the rainy season lead to a shutdown of the mill due to difficulties moving material from the mining portal to the mill site.

In April 2009, the Company commenced a drill program on Santa Cruz. Diamond drilling was performed by Major Drilling de Mexico, S.A. de C.V. and took place in the Western structural district. This initial phase of drilling consisted of 3,070 metres in 12 holes, starting in the Zambraneña area and continuing northwest toward the Carmen area. The Zambraneña structure is interpreted to be a fault zone, with quartz veining at the contact between an andesite unit and an altered dioritic intrusive. The intrusive also contains multiple zones of quartz veinlet and stringer mineralization. All 12 drill holes hit the target structure, but most were low-grade.

Due to the unfavourable results, the Company decided to terminate the option agreement on Santa Cruz and focus exploration efforts on its new Coneto property. The Company communicated its intent to Silverex and negotiated a termination agreement. Pursuant to the terms of the termination agreement, Silverex and the Company agreed to extinguish all outstanding liabilities and commitments to each other and accordingly, a loss on disposal of mineral property of $1,991,810 was charged to operations during fiscal 2010. This charge consisted of a write-off of capitalized costs for Santa Cruz, in the amount of $2,095,450, and a write-off of an account payable to Silverex in the amount of $103,640.

CONETO, MEXICO:

On July 16, 2009, the Company signed a letter of intent to purchase 100% of the core mineral concessions within the Coneto silver-gold mining camp in Durango State, Mexico, in exchange for 11,000,000 common shares of the Company. The definitive purchase agreement, signed on September 1, 2009, was subject to the approval of the TSX Venture Exchange. After receiving TSX Venture Exchange approval, on April 15, 2010, the Company issued 11,000,000 shares to the vendors of the Coneto concessions, valued at $2,090,000.

The Coneto property is subject to a 2.5% NSR royalty payable to the vendors.

Located in the Mesa Central on the eastern flank of the Sierra Madre Occidental Mountains, Coneto is centrally positioned in the "Mexican Silver Trend". This silver trend, stretching from Guanajuato in the southeast, through the states of Zacatecas and Durango, hosts some of the world's largest silver deposits, including: Real de Angeles, Zacatecas, Fresnillo, La Preciosa, and La Pitarilla mining camps.

Description of Business (continued):

CONETO, MEXICO (continued):

The Coneto mining camp has a history going back over 400 years. More than 40 epithermal silver-gold quartz veins have been documented in a window of exposed Tertiary Lower Volcanic andesites. Past underground production was achieved on three of the veins down to the watertable. Very little diamond drilling has been carried out within the property in spite of its long history of episodic production.

The Coneto mining camp historically consisted of approximately 3,300 hectares of claims. During 2010, the Company announced its successful applications to locate new mineral concessions called Lomas 3 and Lomas 4, which surround the historical claims. With the addition of these new mineral concessions, the total area of the Coneto property increased to 16,346 hectares.

The initial work program on this property consisted of detailed structural geology mapping and geochemical sampling in the areas around Calaveras, Colemanito, Promontorio, Loma Verde, Durazno and Impulsora. This program was designed to guide a diamond drilling program. As of December 2009, regional geology mapping at 1:10,000 scale covered 35 sq km and detailed structural geology mapping at 1:500 scale covered 15 sq km. Forty-nine line-kilometres of geochemical sampling, both for soil and rock channel/chip/grab, total 1,794 samples. The Loma Verde, Promontorio and Impulsora sectors yielded multiple anomalous values for gold and silver.

The Phase-I drilling campaign of approximately 5,000 metres of HQ and NQ diameter core was performed by Major Drilling de Mexico, S.A. de C.V. utilizing a surface UDR-200 rig and commenced in May 2010. A total of 21 holes were completed in the Loma Verde, Durazno, Promontorio, Impulsora, Estrella-Calaveras and Sauce-Palma areas. A total of 2,067 rock samples were submitted for analyses to SGS Mineral Services (a certified analytical laboratory) in Durango, Mexico. The assay results of the drilling campaign were announced by news releases on July 6, 2010 and August 9, 2010. Nine holes yielded high values for gold and silver, especially in the Loma Verde and Impulsora areas. The Company is currently evaluating the drill results to determine its future exploration of the Coneto property.

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

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

During the fourth quarter of fiscal 2010, the Company incurred exploration expenses amounting to $265,407, which is 63 per cent lower than the $713,797 incurred in the fourth quarter of fiscal 2009 when a drill program was underway on the Santa Cruz property. The current quarter expenses consisted of geological costs of $157,886, assay costs of $46,988 and other general exploration costs of $60,533. Essentially all of the current quarter exploration expenditures were incurred on the Coneto property whereas all of the costs in the fourth quarter of 2009 were incurred on the Santa Cruz property.

General operating costs totalled $1,058,182 for the current quarter, which is 320 per cent higher than the $251,994 incurred in the fourth quarter of fiscal 2009. The increase can be attributed primarily to a charge of $832,864 recorded for the imputed non-cash cost of stock options to directors, officers, staff and consultants that vested in the quarter, compared to the charge of $85,034 recorded in the fourth quarter of last year. Other costs were consistent with those incurred in the fourth quarter of last year.

Pursuant to the terms of the termination agreement for the Santa Cruz property, a loss on disposal of mineral property of $1,991,810 was charged to operations during the current quarter. This charge consisted of a write-off of capitalized costs for Santa Cruz, in the amount of $2,095,450, and a write-off of an account payable to Silverex in the amount of $103,640. The Company also recorded a write-off of an account payable in the amount of $81,459 on guidance of legal counsel.

The loss in the fourth quarter of fiscal 2010 amounted to $3,235,118 or $0.03 per share, which is 224 per cent higher than the loss in the fourth quarter of last year of $998,364 or $0.02 per share. The increase can be attributed primarily to the write-off of the Santa Cruz property.

Results of Operation for the Years Ended April 30, 2010 and 2009:

During fiscal 2010, the Company incurred exploration expenses amounting to $1,489,819, which was 30 per cent lower than the $2,119,600 incurred in fiscal 2009. The current year expenses consisted of drilling costs of $318,867, geological costs of $474,415, assay costs of $182,503, site costs of $259,999, and other general exploration costs of $254,035. Of the current year exploration expenditures, $745,412 were incurred on the Santa Cruz property, $724,643 were incurred on the Coneto property and $19,764 were incurred to conduct due diligence on other properties. All of the costs last year were incurred on the Santa Cruz property.

General operating costs totalled $1,818,273 for this year, which is 108 per cent higher than the $873,685 incurred in fiscal 2009. Investor relations costs of $301,882 were up significantly from $114,476 incurred last year, as the Company conducted marketing campaigns for two private placements closed this year and to raise investor awareness of the Company's new Coneto property. Stock-based compensation expense was also higher this year as the Company recorded a $933,480 charge to reflect the imputed non-cash cost of stock options to directors, officers, staff and consultants that vested in the year, which was up from the charge of $191,719 recorded last year. Other costs were consistent with those incurred last year.

As mentioned above, pursuant to the terms of the termination agreement for the Santa Cruz property, a loss on disposal of mineral property of $1,991,810 was charged to operations during fiscal 2010. The Company also recorded a write-off to an account payable in the amount of $81,459.

The loss in fiscal 2010 amounted to $5,190,041 or $0.06 per share, which is 71 per cent higher than the loss in fiscal 2009 of $3,038,835 or $0.06 per share.

Property Acquisition Costs:

	Santa Cruz, Mexico	Coneto, Mexico	Total
Balance, as at, April 30, 2008	$ 1,617,850	$ -	$ 1,617,850
Acquisition costs	477,600	-	477,600
Balance, as at April 30, 2009	2,095,450	-	2,095,450
Acquisition costs	-	2,090,000	2,090,000
Write-off	(2,095,450)	-	(2,095,450)
Balance, as at April 30, 2010	$ -	$ 2,090,000	$ 2,090,000

In June of 2007, the Company entered into an option agreement with Silverex S.A. de C.V. to acquire up to 75% interest in the Santa Cruz property in Durango, Mexico. Per the terms of the agreement, the Company paid acquisition costs of $1,318,700 (US $1,250,000), issued 1,000,000 common shares valued at $270,000 to Silverex and paid $506,750 (US $500,000) for refurbishment of the existing mill, for total capitalized costs of $2,095,450.

During fiscal 2010, the Company received assay results of its drill program on Santa Cruz and due to the unfavourable results, the Company decided to terminate the option agreement. The Company communicated its intent to Silverex and negotiated a termination agreement, pursuant to which, the Company recorded a write-off of capitalized costs for Santa Cruz in the amount of $2,095,450.

On July 16, 2009, the Company signed a letter of intent to purchase 100% of the core mineral concessions within the Coneto silver-gold mining camp in Durango State, Mexico, in exchange for 11,000,000 common shares of the Company. The definitive purchase agreement, signed on September 1, 2009, was subject to the approval of the TSX Venture Exchange. After receiving TSX Venture Exchange approval, on April 15, 2010, the Company issued 11,000,000 shares to the vendors of the Coneto concessions, valued at $2,090,000.

Property Exploration Expenditures as of April 30, 2010:

	Santa Cruz, Mexico $	Coneto, Mexico $	Other Properties $	Total $
FISCAL 2010				
Drilling	318,867	-	-	318,867
Geological	68,242	386,573	19,600	474,415
Assay	67,446	114,893	164	182,503
Site costs	259,999	-	-	259,999
General exploration	30,858	223,177	-	254,035
Total expenditures for the period	745,412	724,643	19,764	1,489,819
TOTAL TO DATE				
Drilling	392,261	-	-	392,261
Geological	537,450	386,573	19,600	943,623
Assay	105,199	114,893	164	220,256
Site costs	2,635,271	-	-	2,635,271
General exploration	138,426	223,177	-	361,603
Total expenditures to date	3,808,607	724,643	19,764	4,553,014

Selected Annual Financial Information:

	For the year ended April 30, 2010	For the year ended April 30, 2009	For the year ended April 30, 2008
Total revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:			
(i) total for the year	$ 5,190,041	$ 3,038,835	$ 2,034,009
(ii) per share	0.06	0.06	0.05
(iii) per share fully diluted	0.06	0.06	0.05
Net loss:			
(i) total for the year	$ 5,190,041	$ 3,038,835	$ 2,034,009
(ii) per share	0.06	0.06	0.05
(iii) per share fully diluted	0.06	0.06	0.05
Total assets	$ 3,721,185	$ 2,664,803	$ 2,516,307
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

In fiscal 2010, the loss for the year increased significantly due to a write-off of the Santa Cruz property in the amount of $1,991,810. Exploration, primarily on the Santa Cruz and Coneto properties, cost a combined $1,489,819. General operating costs were up significantly from prior years at $1,818,273 due to the inclusion of a $933,480 charge for stock-based compensation.

In fiscal 2009, the loss for the year was significantly higher than prior years due to higher exploration costs of $2,119,600 associated with initiating a drill program on the Santa Cruz property in Mexico. General operating costs were lower than prior years at $873,685 and included a $191,719 charge for stock-based compensation.

In fiscal 2008, the loss for the year was lower than the previous year as the focus of exploration, which cost $1,024,237, transitioned to the Company's new Santa Cruz property in Mexico. General operating costs were also slightly lower than prior years at $966,740 and included a $324,926 charge for stock-based compensation.

Selected Quarterly Financial Information:

		4th Quarter Ended April 30, 2010	3rd Quarter Ended January 31, 2010	2nd Quarter Ended October 31, 2009	1st Quarter Ended July 31, 2009
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	$ 3,235,118	$ 456,826	$ 536,180	$ 961,917
(c)	Loss per share	$ 0.03	$ 0.00	$ 0.01	$ 0.01
		4th Quarter Ended April 30, 2009	**3rd Quarter Ended January 31, 2009**	**2nd Quarter Ended October 31, 2008**	**1st Quarter Ended July 31, 2008**
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	$ 998,364	$ 603,195	$ 689,273	$ 748,003
(c)	Loss per share	$ 0.02	$ 0.01	$ 0.01	$ 0.02
		4th Quarter Ended April 30, 2008	**3rd Quarter Ended January 31, 2008**	**2nd Quarter Ended October 31, 2007**	**1st Quarter Ended July 31, 2007**
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	$ 647,319	$ 476,537	$ 652,231	$ 257,922
(c)	Loss per share	$ 0.02	$ 0.01	$ 0.02	$ 0.01

The loss in the first quarter of fiscal 2010 was primarily due to exploration costs, which amounted to $798,083, as the Company completed its drill program on the Santa Cruz property. Exploration expenditures for the second, third and fourth quarter of fiscal 2010, of $192,807, $233,522 and $265,407 respectively, were lower than previous quarters as the Company conducted very little work on Santa Cruz and focused on an initial work program on the Coneto property. General operating costs for the first, second third and fourth quarter were $188,072, $342,527, $229,492 and $1,058,182 respectively. The costs for the second and fourth quarter of fiscal 2010 included a charge of $96,231 and $832,864 respectively, for stock-based compensation. The fourth quarter of 2010 also included a write-off of the Santa Cruz property in the amount of $1,991,810.

The loss in each quarter of fiscal 2009 was primarily due to the exploration costs on the Santa Cruz property, which amounted to $476,091, $466,866, $462,846 and $713,797 for the first, second, third and fourth quarters respectively. For the fourth quarter of fiscal 2009, a major component of general operating expenses was a charge of $85,034 for stock-based compensation recorded to reflect the computed value of stock options that vested in the period.

The loss in the first quarter of fiscal 2008 was primarily due to the costs of sustaining the Company. The higher second, third and fourth quarter losses were primarily due to exploration costs on the Santa Cruz property, which amounted to $342,742, $293,362 and $358,565 respectively. General operating costs remained relatively in line for all quarters.

Outstanding Share Data:

(a) Share capital and contributed surplus

	Number of Shares	Share Capital $	Contributed Surplus $
Authorized:			
Unlimited number of common shares without par value			
Issued:			
Balance at April 30, 2008	43,885,920	8,615,455	1,574,510
Private placement	16,000,000	1,600,000	-
Finders Fees	1,200,000	120,000	-
Mineral properties	500,000	25,000	-
Warrants exercised	3,535,550	956,896	(249,786)
Stock-based compensation	-	-	191,719
Share issuance costs	-	(145,148)	-
Balance at April 30, 2009	65,121,470	11,172,203	1,516,443
Private placements	32,525,000	3,505,000	-
Finders Fees	2,439,375	262,875	-
Mineral properties	11,000,000	2,090,000	-
Warrants exercised	2,341,375	428,706	-
Options exercised	203,000	63,192	(42,892)
Stock-based compensation	-	-	933,480
Share issuance costs	-	(306,664)	-
Balance at April 30, 2010	113,630,220	17,215,312	2,407,031
Warrants exercised	325,000	48,750	-
Options exercised	100,000	10,000	(25,642)
Stock-based compensation	-	-	19,409
Balance at August 20, 2010	114,055,220	17,273,457	2,400,798

On February 24, 2009, the Company issued 16,000,000 units at $0.10 per unit for gross proceeds of $1,600,000 under a non-brokered private placement. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.15 per common share. The full value of $1,600,000 was assigned to the common shares based on their fair values at the closing date of the private placements. In connection with the private placement, the Company issued 1,200,000 units valued at $120,000 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $25,148 on the private placement.

On June 22, 2009, the Company issued 2,525,000 units at $0.20 per unit for gross proceeds of $505,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.30 per common share. The full value of $505,000 was assigned to the common shares based on their fair values at the closing date of the private placement. In connection with the private placement, the Company issued 189,375 units valued at $37,875 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $12,174 on the private placement. As at April 30, 2009, the Company had received share subscriptions of $485,000 toward this private placement.

Outstanding Share Data (continued):

(a) Share capital and contributed surplus (continued)

On October 14, 2009, the Company issued 30,000,000 units at $0.10 per unit for gross proceeds of $3,000,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.15 per common share. The full value of $3,000,000 was assigned to the common shares based on their fair values at the closing date of the private placement. In connection with the private placement, the Company issued 2,250,000 units valued at $225,000 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $31,615 on the private placement.

(b) Stock options and warrants

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. Under the plan, the board of directors has the discretion to issue the equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. Stock options are generally for a term of up to five years from the date granted and are exercisable at a price that is not less than the market price on the date granted. Vesting terms are determined at the discretion of the board of directors.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		**Stock options**	
	Number	**Weighted Average Exercise Price** $	**Number**	**Weighted Average Exercise Price** $
Outstanding, April 30, 2008	9,907,900	0.27	3,882,000	0.35
Granted	17,200,000	0.15	700,000	0.15
Exercised	(3,535,550)	0.20	-	-
Expired	(2,353,600)	0.50	-	-
Forfeited	-	-	(45,000)	0.39
Outstanding, April 30, 2009	21,218,750	0.16	4,537,000	0.22
Granted	17,482,187	0.16	6,050,000	0.20
Exercised	(2,341,375)	0.18	(203,000)	0.10
Expired	(2,468,750)	0.20	(50,000)	0.40
Outstanding, April 30, 2010	33,890,812	0.16	10,334,000	0.16
Granted	-	-	350,000	0.18
Exercised	(325,000)	0.15	(100,000)	0.10
Outstanding, August 20, 2010	33,565,812	0.16	10,584,000	0.16

Outstanding Share Data (continued):

(b) Stock options and warrants (continued)

The following options and warrants to acquire common shares of the Company were outstanding at April 30, 2010 and August 20, 2010:

	Number of Shares April 30, 2010	Number of Shares August 20, 2010	Exercise Price $	Expiry Date
Options				
	524,000	499,000	0.10	June 7, 2014 (1) (2) (3)
	100,000	100,000	0.10	June 7, 2014 (1) (3)
	1,055,000	1,030,000	0.10	September 11, 2011 (2) (3)
	150,000	150,000	0.43	September 11, 2011
	200,000	200,000	0.10	November 6, 2011 (2)
	25,000	25,000	0.10	May 9, 2012 (2)
	1,480,000	1,430,000	0.10	September 27, 2012 (2) (3)
	50,000	50,000	0.27	September 27, 2012
	200,000	200,000	0.10	June 17, 2013 (3)
	250,000	250,000	0.10	December 19, 2013
	250,000	250,000	0.11	January 30, 2011
	300,000	300,000	0.15	July 17, 2011
	5,750,000	5,750,000	0.20	April 28, 2015
	-	350,000	0.18	June 9, 2015
Warrants				
	16,896,125	17,716,125	0.15	February 24, 2011
	1,357,187	1,357,187	0.30	June 22, 2011
	15,637,500	15,492,500	0.15	October 14, 2011

(1) During fiscal 2009 the expiry date of these options was extended from June 7, 2009 to June 7, 2014 resulting in additional stock-based compensation of $35,840.

(2) During fiscal 2009, a total of 1,817,000 options were repriced to $0.10 per share on January 7, 2009 resulting in additional stock-based compensation of $39,419.

(3) During fiscal 2010, a total of 1,970,000 options were repriced to $0.10 per share upon receiving disinterested shareholder approval at its annual general meeting on September 29, 2009, resulting in additional stock-based compensation of $52,125.

Liquidity:

The Company's cash position increased from the opening level of $510,362 at the beginning of the year to the year-end level of $1,349,967.

On June 22, 2009, the Company issued 2,525,000 units at $0.20 per unit for gross proceeds of $505,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.30 per common share. The Company incurred cash share issuance costs of $12,174 on the private placement. As at April 30, 2009, the Company had received share subscriptions of $485,000 toward this private placement.

On October 14, 2009, the Company issued 30,000,000 units at $0.10 per unit for gross proceeds of $3,000,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.15 per common share. The Company incurred cash share issuance costs of $31,615 on the private placement.

Additional funding was received during the year from the exercise of stock options and warrants whereby the Company issued 2,544,375 common shares for cash proceeds of $449,006.

The operating loss for the year of $5,190,041, after adjustments for non-cash items and changes in other working capital balances, required total cash funding of $2,585,612.

To summarize, the funds on hand at the beginning of the year of $510,362, supplemented by the net cash proceeds from financing activities aggregating $3,425,217 were used to fund the cash requirements in the year of $2,585,612 such that at April 30, 2010, the Company held $1,349,967 in its accounts.

Commitments:

The Company has no material commitments.

Corporate Summary:

Currently, management believes that the Company will require additional funding to continue exploration work on its Coneto property and to sustain its corporate operations for the next 12 months. Management anticipates that new funding will be raised by a private placement of common shares.

While there has been great volatility in the stock markets, which may raise questions about the Company's ability to raise new capital and thereby sustain or expand its operations, the Company succeeded in raising in excess of $3 million this year on the strength of its acquisition of 100% of the core mineral concessions within the Coneto silver-gold mining camp. However, there is no certainty that the Company will be successful in its efforts to raise new capital, which would cause the Company to reconsider its viability as a going concern at that time and how best to sustain a reduced level of operations, pending a return to better market conditions when a financing could be completed.

Capital Resources:

The Company had $350,000 in cash as of August 20, 2010. The Company will continue to seek capital, as needed, through public markets by issuing common shares pursuant to private placements.

Related Party Transactions:

During the year ended April 30, 2010, the Company entered into the following transactions with related parties:

(a) Paid or accrued management fees of $167,500 (2009 - $168,800) to companies controlled by the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary of the Company for management services provided to the Company and performed by these individuals.

(b) Paid or accrued rent of $76,650 (2009 - $73,560) to Orko Silver Corp., a company with common directors.

(c) Paid or accrued geological fees of $60,000 (2009 - $44,672) to a company controlled by a director for geological consulting services provided to the Company and performed by this individual. These amounts were included in exploration expenditures.

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

Off Balance Sheet Arrangements:

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

Investor Relations:

In April 2009, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with A.J.F. Consultants Ltd. is subject to termination with 30 days notice.

In July 2010, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with General Research GmbH, based in Munich, Germany, is for a period of one year and may, at the agreement of both parties, be extended following completion of the initial term. The agreement is subject to termination with 30 days notice.

Adoption of New Accounting Standards and Developments:

(a) Goodwill and intangible assets (Section 3064)

This section establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company adopted this standard on May 1, 2009. The adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

(b) Credit risk and fair value of financial assets and financial liabilities (EIC-173)

This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that adoption of these new requirements has had no impact on the Company's consolidated financial statements.

Future Accounting Pronouncements:

(a) International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. The Company has begun assessing the adoption of IFRS for fiscal 2012 and is currently assessing the financial reporting impact of the transition to IFRS and its choices under IFRS 1.

(b) Business combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

IFRS Changeover Plan Disclosure:

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (PAEs). The effective changeover date for the Company is May 1, 2011, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at May 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended April 30, 2012 with restated comparatives for the year ended April 30, 2011.

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

IFRS Changeover Plan Disclosure (continued):

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

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

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

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

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

(a) Impairment of Assets

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

(b) Share Based Payments

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

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

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

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

IFRS Changeover Plan Disclosure (continued):

(c) Exploration and Evaluation Assets

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

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

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

(d) Property, Plant and Equipment

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

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

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

(e) Foreign Currency

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

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

(f) Future Income Taxes

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

IFRS Changeover Plan Disclosure (continued):

(f) Future Income Taxes (continued)

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

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

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

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

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

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

Financial Instruments:

(a) Fair value of financial instruments

The Company has various financial instruments including cash, receivables, and accounts payable and accrued liabilities. Cash is carried at fair value using a level 1 fair value measurement. The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

(b) Concentrations of business risk

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

As the Company operates in an international environment, some of the Company's transactions are denominated in currencies other than the Canadian dollar. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity.

Financial Instruments (continued):

(c) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectability of receivables. The Company believes its credit risk is low because its receivables are primarily comprised of input value-added tax (IVA) and goods and services tax (GST), which are recoverable from the governing body in Mexico and Canada respectively. As the Company's exploration operations are conducted solely in Mexico, the Company's operations are also subject to the economic risk associated with that country.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

(e) Foreign exchange risk

A significant portion of the Company's operational transactions are originally or effectively denominated in US dollars. As well, because the Company's primary operations are in Mexico, some costs are denominated in Mexican pesos. Accordingly, the results of the Company's operations and comprehensive loss as stated in Canadian dollars will be impacted by exchange rate fluctuations. The Company does not hedge its exposures to movements in the exchange rates at this time.

The Company's exposure to foreign currency risk is on its cash, receivables and accounts payable and accrued liabilities. At April 30, 2010, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a $4,000 effect on loss and comprehensive loss while a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Mexican Peso would have an $8,000 effect.

(f) Interest rate risk

The Company has interest rate risk arising from its bank deposits. The Company does not engage in any hedging activity to reduce its exposure to interest rate risk. Based on bank deposit balances at April 30, 2010, a hypothetical change of 1% in the interest rate for the upcoming year would have a $13,000 effect on net loss and comprehensive loss.

(g) Price risk

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

Subsequent Events:

Subsequent to April 30, 2010, the Company:

(a) Granted incentive stock options to a consultant to purchase 350,000 common shares exercisable at $0.18 per share for a period of 5 years ending June 9, 2015.

(b) Issued 100,000 common shares for gross proceeds of $10,000 pursuant to the exercise of stock options.

(c) Issued 325,000 common shares for gross proceeds of $48,750 pursuant to the exercise of warrants.

Additional Information:

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