OREX MINERALS INC.
(An Exploration Stage Company)
ANNUAL REPORT TO SHAREHOLDERS
April 30, 2011
(Expressed in Canadian Dollars)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED APRIL 30, 2011 AND 2010

Dated: August 26, 2011

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 100,000 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 issue an additional 100,000 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 had 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 200,000 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.

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 through to August 2008, when 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, in fiscal 2010, 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.

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 with regards to the Santa Cruz property.

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 2,200,000 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 2,200,000 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.

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.

Description of Business (continued):

CONETO, MEXICO (continued):

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 commenced in May 2010 and was performed by Major Drilling de Mexico, S.A. de C.V. utilizing a surface UDR-200 rig. A total of 21 holes were completed in the Loma Verde, Durazno, Promontorio, Impulsora, Estrella-Calaveras and Sauce-Palma areas. Over 2,000 drill core samples were submitted for analyses to SGS Mineral Services in Durango, Mexico. The assay results of the drilling campaign were announced by news releases on July 6, 2010, August 9, 2010 and November 1, 2010. Nine holes yielded high values for gold and silver, especially in the Loma Verde and Impulsora areas.

During fiscal 2011, the Company signed a non-binding letter of intent with Fresnillo PLC ("Fresnillo") to jointly explore the contiguous mineral concessions held by the Company and Fresnillo in the Coneto mining district. The mineral concessions held by Fresnillo will add an area of 1,977 hectares to the Coneto land package. The principal terms of the letter of intent are:

(a) Fresnillo will spend a minimum of US$2,000,000 on exploration during the first year within the Coneto mining concessions.

(b) Fresnillo will have the option to spend an additional US$2,000,000 per year on exploration for each of the following two years.

(c) Upon Fresnillo spending an aggregate of US$6,000,000 on exploration activities, the Company and Fresnillo will each contribute their respective Coneto mining concessions to a new company ("NewCo") that initially would be owned 55% by Fresnillo and 45% by the Company.

(d) Fresnillo will have the right to increase its ownership of NewCo to 70% by advancing the Coneto project to the pre-feasibility stage.

(e) Following the delivery of a pre-feasibility report, any additional funding required will be provided by the Company and Fresnillo in proportion to their respective ownership interests in NewCo.

(f) Fresnillo will have a right of first refusal to acquire the Company's ownership interest in NewCo if the Company proposes to sell it to a third party.

(g) Fresnillo will participate in a unit private placement of the Company's common shares for a total consideration of $2,000,000. The price per unit will be set at $0.80 and will close on the execution of the definitive joint venture transaction documents. Each unit will consist of one common share and one half of one share purchase warrant. Each whole share purchase warrant will be valid for 24 months from the date of the private placement, and entitle Fresnillo to purchase one additional common share of the Company at a price of $1.00 per share.

(h) During the life of the joint venture, in the event that the Company, enters into a transaction to acquire an interest in any additional mineral properties in Mexico, and then later decides to sell or option out that interest to a third party, Fresnillo will have a right of first refusal to participate in such transaction on the same terms and conditions as offered to the third party.

Description of Business (continued):

CONETO, MEXICO (continued):

The Company expects to enter a definitive agreement with Fresnillo, per the terms indicated in the letter of intent. In anticipation of the definitive agreement, Fresnillo conducted base-line environmental studies on Coneto and the Company's geologists have completed mapping and taken a further 147 rock-chip samples in the La Bufa area.

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 with regards to the Coneto property.

LAS MESAS, MEXICO:

On November 30, 2010, the Company entered into an option agreement to acquire a 100% interest in the Las Mesas property in Durango, Mexico from La Cuesta International, S.A. de C.V. ("La Cuesta") for US$4,000,000, less any option maintenance payments, as described below, paid prior to the exercise of the option. To initiate the option agreement, the Company paid La Cuesta $35,200 (US$35,000) in cash.

Las Mesas is a large grassroots exploration project located along an altered portion of a major regional fault structure, with associated geophysical and geochemical anomalies. It is interpreted to contain the surface expressions of buried mineralized intrusive centres. Pathfinder elements match the "tops" halo pattern for gold-silver mineralization. This mineral concession of 24,732 hectares is located on the Mesa Central, a high plateau region on the eastern flanks of the Sierra Madre Occidental mountains, centred about 43 km south of the mining town of Santa Maria del Oro and about 45 km west-northwest of the Pitarrilla Ag-Au deposit of Silver Standard, in the "Mexican Silver Trend".

The Las Mesas property is subject to a 1.0% NSR royalty payable to La Cuesta. To maintain the option in good standing, the Company was required to make staged cash payments to La Cuesta totalling US$77,500 over the next four years and then US$40,000 each subsequent year.

In addition, the Company was required to incur exploration expenditures of US$50,000 on the Las Mesas property prior to December 1, 2011.

A program of geological mapping and geochemical sampling was conducted to evaluate five target areas. A Phase-I diamond drilling program, consisting of six holes for a total of approximately 2,000 metres, commenced in April 2011 and was completed in May 2011. Five of the six holes intercepted intervals over the projection of Las Mesas fault, which yielded argillic alteration, iron oxides, microbreccias and traces of black sulphides. Subsequently, the Company received the assays from 345 drill core samples and management was disappointed with the results overall. A decision was made to terminate the Las Mesas option agreement and consequently, mineral property costs of $35,200 were written-off during fiscal 2011.

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 with regards to the Las Mesas property.

Description of Business (continued):

BARSELE, SWEDEN:

On October 27, 2010, the Company signed a letter of intent with Barsele Guld A.B. ("Barsele Guld"), a wholly-owned subsidiary of Northland Resources S.A. ("Northland") to purchase all of the issued and outstanding shares of two Swedish companies, Gunnarn Mining A.B. ("Gunnarn Mining") and its wholly-owned subsidiary, Gunnarn Exploration A.B. ("Gunnarn Exploration"). The primary assets of Gunnarn Mining are mining claims for the Barsele Central, Avan, Skiråsen and Norra resource areas located in northern Sweden, collectively known as the Barsele property.

The Company and Barsele Guld completed the final agreement on April 29, 2011 and as the initial consideration, the Company paid $1,958,230 (US$2,000,000) and issued 1,153,997 common shares valued at $1,015,517 to the vendor. The Company also issued 250,000 common shares valued at $220,000 as a finder's fee. In addition, the Company agreed to make the following deferred consideration payments to Barsele Guld, in cash and issuances of common shares of the Company, with a total value, after applying a 7.5% discount rate, of $4,428,940 (US$5,500,000, undiscounted):

(a) On the 1st anniversary of completing the final agreement, US$1,000,000 in cash plus the lesser of 1,000,000 common shares or the number of common shares valued at US$500,000. If the value of the common shares issued is less than US$500,000, the balance shall be paid in cash;

(b) On the 2nd anniversary of completing the final agreement, US$2,000,000 in cash;

(c) On the 3rd anniversary of completing the final agreement, the lesser of 2,000,000 common shares or the number of common shares valued at US$1,000,000. If the value of the common shares issued is less than US$1,000,000, the balance shall be paid in cash;

(d) On the 4th anniversary of completing the final agreement, the lesser of 2,000,000 common shares or the number of common shares valued at US$1,000,000. If the value of the common shares issued is less than US$1,000,000, the balance shall be paid in cash.

In addition, the Company agreed to make direct exploration expenditures as follows:

(a) Before the 1st anniversary of completing the final agreement, US$1,000,000 of exploration expenditures;

(b) Before the 2nd anniversary of completing the final agreement, an additional US$2,000,000 of exploration expenditures.

The Company will pay a finder's fee upon completing the final agreement.

Barsele Guld will retain a 2 per cent net smelter royalty on the Barsele property which the Company may purchase at any time for US$2,000,000 per percentage point, or a total of US$4,000,000.

After completing the 1st anniversary cash payment and share issuance, as well as having incurred US$3,000,000 in cumulative exploration expenditures, the Company will have the option of returning the shares of Gunnarn Mining and Gunnarn Exploration to Barsele Guld in order to extinguish any further obligations under the terms of the agreement. The Company will retain this option until 30 days prior to the 2nd anniversary of completing the final agreement.

The Barsele property is located 40 km southeast of the town of Storuman in Västerbottens Län, a regional district of northern Sweden approximately 600 km due north of Stockholm. Exploration in the project area has been ongoing for more than 25 years. Since 1985, a total of 398 diamond drill holes (43,609 metres) have been drilled and in 2006, Northland completed a National Instrument 43-101 technical report which contained resource estimates of both indicated and inferred resources and was filed on SEDAR by Northland on April 13, 2006.

Description of Business (continued):

BARSELE, SWEDEN (continued):

The Central-Avan-Skiråsen (CAS) Zone at Barsele contains most of the documented gold in the 2006 resource report with a grade similar to other gold deposits in the area. In the CAS Zone, gold mineralization is predominantly within a granodiorite that has been deformed, sheared and intruded by late stage quartz veins and ranges in width from 200 to 500 metres, with a strike-extent in excess of eight kilometres. The Central and Skiråsen Zones have a combined strike length of 1,350 metres and a width of 250 metres. The Avan Zone has a strike length of 1,400 metres and a width varying from 200 to 500 metres. Base metal content of this deposit is typically low.

The Norra Zone, a small massive sulphide deposit, contains the balance of the gold reported in the 2006 resource report although the overall grade for this deposit is higher than at the CAS Zone. In the Norra Zone, sulphide mineralization is exposed in two open trenches in the centre of the drilled zone. Based on drilling, the footprint of the main mineralized body at Norra is 300 metres in strike-length and 50 metres in width.

On February 28, 2011, the Company reported that an independently verified mineral resource estimate had been completed on the Barsele property. The study concluded that drilling to date on the Central-Avan-Skiråsen Zones, at a 0.6g/t cut-off, outlined an Indicated Resource of 9.97 million tonnes grading 1.19 g/t gold or 382,000 contained ounces of gold. In addition, the study estimated additional Inferred Resources of 21.04 million tonnes grading 0.96 g/t gold or 648,000 contained ounces of gold.

A new estimate was also prepared for the Norra volcanogenic massive sulphide deposit, at a 0.6g/t Au cut-off that outlined an Indicated Resource of 110,000 tonnes grading 3.13 g/t gold, 30.27 g/t silver, 0.53% copper and 0.72% zinc . The study also estimated additional Inferred Resources of 310,000 tonnes grading 1.62 g/t gold, 12.69 g/t silver, 0.26% copper and 0.42% zinc. On April 27, 2011, the Company filed an updated National Instrument 43-101 compliant technical report on SEDAR.

In May 2011, the Company initiated a 2,500 line-kilometre airborne geophysical survey of the Barsele property, performed by SkyTEM Surveys ApS ("SkyTEM") of Denmark. SkyTEM used a helicopter-borne Time-Domain Electromagnetic (TDEM) System which had a transmitter moment of 500,000 NIA to maximize the depth of penetration. The airborne survey yielded high resolution maps of the apparent resistivity/conductivity, total magnetic field, and vertical magnetic derivatives. Following interpretation of the airborne results, in July 2011, the Company reported that there were a significant number of new anomalous targets outside of the known mineralized zones.

The Company's planned ground follow-up work will include induced polarization, electromagnetic and magnetic surveys, combined with prospecting, sampling and mapping, toward definition of drill targets. In addition to any new targets identified, diamond drilling will test both the strike extensions and depth potential of the deposits outlined to date.

The Company also plans to collect and assay a bulk sample from the Central Zone to confirm the grade indicated by a previous one-tonne bulk surface sample, which returned a grade of 5.1 g/t gold, considerably higher than the average grade of the drill hole samples in this area. At least three other target areas of known gold and/or base metal mineralization have been reported from the various generations of regional exploration outside the CAS and Norra Zones. Further exploration is warranted in these zones.

George Cavey, P.Geo., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Barsele property.

Results of Operations for the Three Months Ended April 30, 2011 and 2010:

During the fourth quarter of fiscal 2011, the Company incurred exploration expenses amounting to $437,635, which is 65 per cent higher than the $265,408 incurred in the fourth quarter of fiscal 2010. The fourth quarter expenses consisted of drilling costs of $135,193, geological costs of $184,817, assay costs of $1,000 and other general exploration costs of $116,625. The current quarter exploration expenditures were incurred on the Las Mesas, Barsele and Coneto properties whereas essentially all of the costs in the fourth quarter of 2010 were incurred on the Coneto property.

General operating costs totalled $449,039 for the fourth quarter of fiscal 2011, which is 58 per cent lower than the $1,058,181 incurred in the fourth quarter of fiscal 2010. Professional fees of $186,006, incurred to prepare the definitive agreement for the acquisition of Gunnarn Mining, were up significantly from the $17,371 incurred in the fourth quarter of 2010. Stock-based compensation expense was lower in the fourth quarter of this year as the Company recorded a $4,574 charge to reflect the imputed non-cash cost of stock options to directors, officers and consultants that vested in the period, compared to a charge of $832,864 recorded in the fourth quarter of last year. Other costs were consistent with those incurred in the same period of last year.

Subsequent to April 30, 2011, the Company received the assays from its drill program on Las Mesas and management was disappointed with the results overall. A decision was made to terminate the Las Mesas option agreement and consequently, mineral property costs of $35,200 were written-off during fiscal 2011. Pursuant to the terms of the termination agreement for the Santa Cruz property mentioned above, a loss on disposal of mineral property of $1,991,810 was charged to operations during the fourth quarter of fiscal 2010. The Company also recorded a write-off to an account payable in the amount of $81,459 in the fourth quarter of 2010.

The loss in the fourth quarter of fiscal 2011 amounted to $924,573 or $0.03 per share, which is 71 per cent lower than the loss in the fourth quarter of last year, of $3,235,118 or $0.16 per share. The decrease can be attributed primarily to lower stock-based compensation expense and a lower charge on the write-off of mineral properties in the fourth quarter of fiscal 2010.

Results of Operations for the Years Ended April 30, 2011 and 2010:

During fiscal 2011, the Company incurred exploration expenses amounting to $1,743,043, which is 17 per cent higher than the $1,489,819 incurred in fiscal 2010. The current year expenses consisted of drilling costs of $609,381, geological costs of $571,925, assay costs of $84,627 and other general exploration costs of $477,110. Of the current year exploration expenditures, $1,029,647 were incurred on the Coneto property, $452,419 were incurred on the Las Mesas property, $229,630 were incurred on the Barsele property and $31,347 were incurred to conduct due diligence on other properties. The costs in 2010 were primarily incurred on the Santa Cruz and Coneto properties.

General operating costs totalled $1,400,346 for fiscal 2011, which is 23 per cent lower than the $1,818,273 incurred in fiscal 2010. Costs associated with preparing the letter of intent and final agreement to acquire Gunnarn Mining and its Barsele property resulted in higher professional fees of $428,239, compared to $77,369 incurred in 2010. Office and administrative fees of $135,724 were up from $88,514 incurred last year, with the increase primarily due to the cost of filing submissions with the Mexican government for recovery of VAT taxes. Due to travel required during negotiations for the Barsele property in Sweden, travel costs of $158,914 were higher, compared to $82,779 incurred last year. Offsetting these increases, stock-based compensation expense was lower this year as the Company recorded a charge of $46,931 to reflect the imputed non-cash cost of stock options to directors, officers and consultants that vested in the period, compared to a charge of $933,480 recorded last year. Other costs were consistent with those incurred last year.

As mentioned above, subsequent to April 30, 2011, a decision was made to terminate the Las Mesas option agreement and consequently, mineral property costs of $35,200 were written-off during fiscal 2011. Pursuant to the terms of the termination agreement for the Santa Cruz property mentioned above, 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 in fiscal 2010.

The loss in fiscal 2011 amounted to $3,187,794 or $0.13 per share, which is 39 per cent lower than the loss last year, of $5,190,041 or $0.30 per share. The decrease can be attributed primarily to lower stock-based compensation expense and a lower write-off of mineral properties in the current year.

(Expressed in Canadian Dollars)

Property Acquisition Costs:

	Santa Cruz, Mexico	Coneto, Mexico	Las Mesas, Mexico	Barsele, Sweden	Total
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
Acquisition costs	-	-	35,200	7,611,607	7,646,807
Write-off	-	-	(35,200)	-	(35,200)
Balance, as at April 30, 2011	$ -	$ 2,090,000	$ -	$ 7,611,607	$ 9,701,607

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 2,200,000 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 2,200,000 shares to the vendors of the Coneto concessions, valued at $2,090,000.

On November 30, 2010, the Company entered into an option agreement to acquire a 100% interest in the Las Mesas property in Durango, Mexico from La Cuesta International, S.A. de C.V. ("La Cuesta") for US$4,000,000, less any option maintenance payments, as described above, paid prior to the exercise of the option. To initiate the option agreement, the Company paid La Cuesta $35,200 (US$35,000) in cash. Subsequent to April 30, 2011 the Company received the assays from its drill program on Las Mesas and management was disappointed with the results overall. A decision was made to terminate the Las Mesas option agreement and consequently, mineral property costs of $35,200 were written-off during fiscal 2011.

The Company completed the final agreement on April 29, 2011 to purchase all of the issued and outstanding shares of two Swedish companies, Gunnarn Mining A.B. and its wholly-owned subsidiary, Gunnarn Exploration A.B. The primary assets of Gunnarn Mining are mining claims for the Barsele Central, Avan, Skiråsen and Norra resource areas located in northern Sweden, collectively known as the Barsele property. As the initial consideration, the Company paid $1,958,230 (US$2,000,000) and issued 1,153,997 common shares valued at $1,015,517 to the vendor. The Company also issued 250,000 common shares valued at $220,000 as a finder's fee. In addition, the Company agreed to make deferred consideration payments to Barsele Guld, in cash and issuances of common shares of the Company, with a total value, after applying a 7.5% discount rate, of $4,428,940 (US$5,500,000, undiscounted). Of the total purchase price of Gunnarn Mining, the Company allocated $7,611,607 to the Barsele mining concessions held by Gunnarn Mining.

(Expressed in Canadian Dollars)

Property Exploration Expenditures for the Years Ended April 30, 2011 and 2010:

Total Expenditures for the Year Ended April 30, 2011	**Barsele, Sweden** $	**Coneto, Mexico** $	**Las Mesas, Mexico** $	**Other Properties** $	**Total** $
Drilling	-	474,188	135,193	-	609,381
Geological	140,682	266,465	148,269	16,509	571,925
Assay	-	71,508	12,686	433	84,627
General exploration	88,948	217,486	156,271	14,405	477,110
	229,630	1,029,647	452,419	31,347	1,743,043

Total Expenditures for the Year Ended April 30, 2010	**Coneto, Mexico** $	**Santa Cruz, Mexico** $	**Other Properties** $	**Total** $
Drilling	-	318,867	-	318,867
Geological	386,573	68,242	19,600	474,415
Assay	114,893	67,446	164	182,503
Site costs	-	259,999	-	259,999
General exploration	223,177	30,858	-	254,035
	724,643	745,412	19,764	1,489,819

Selected Annual Financial Information:

	For the Year Ended April 30, 2011	**For the Year Ended April 30, 2010**	**For the Year Ended April 30, 2009**
Total revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:			
(i) total for the year	$ 3,187,794	$ 5,190,041	$ 3,038,835
(ii) per share	0.13	0.30	0.30
(iii) per share fully diluted	0.13	0.30	0.30
Net loss:			
(i) total for the year	$ 3,187,794	$ 5,190,041	$ 3,038,835
(ii) per share	0.13	0.30	0.30
(iii) per share fully diluted	0.13	0.30	0.30
Total assets	$ 12,520,571	$ 3,721,185	$ 2,664,803
Total long-term financial liabilities	$ 4,428,940	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

(Expressed in Canadian Dollars)

Selected Annual Financial Information (continued):

In fiscal 2011, exploration, primarily on the Coneto and Las Mesas properties, was $1,743,043. General operating costs of $1,400,346 included costs related to the preparation and filing of the definitive agreement to acquire Gunnarn Mining and Gunnarn Exploration.

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.

Selected Quarterly Financial Information:

		4th Quarter Ended April 30, 2011	3rd Quarter Ended January 31, 2011	2nd Quarter Ended October 31, 2010	1st Quarter Ended July 31, 2010
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	$ 924,573	$ 689,792	$ 470,460	$ 1,102,969
(c)	Loss per share	$ 0.03	$ 0.03	$ 0.02	$ 0.05
		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	$ 0.16	$ 0.02	$ 0.04	$ 0.07
		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	$ 0.08	$ 0.06	$ 0.07	$ 0.08

Exploration costs were $819,922, $156,321, $329,165 and $437,635 respectively in the first, second, third and fourth quarter of 2011. During the first quarter, the Company completed a drill program on the Coneto property and during the fourth quarter, the Company commenced a drill program on the Las Mesas property. The Company conducted due diligence on the Barsele property during the third and fourth quarter of fiscal 2011. General operating costs were consecutively higher each quarter of fiscal 2011 as the Company incurred substantial costs in the second half of the year for professional fees related to preparing the final agreement to acquire Gunnarn Mining and its Barsele property. The general operating costs amounted to $278,059, $317,515, $355,733 and $449,039 respectively in the first, second, third and fourth quarter.

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.

(Expressed in Canadian Dollars)

Selected Quarterly Financial Information (continued):

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.

Outstanding Share Data:

(a) Share capital and contributed surplus

On October 19, 2010, the Company consolidated its issued and outstanding common shares on a 5 old for 1 new basis. Trading of the consolidated shares commenced on October 20, 2010. All share, warrant, option and per share amounts in these financial statements have been retrospectively changed to reflect the share consolidation.

	Number of Shares	**Share Capital**	**Contributed Surplus**
Authorized:			
Unlimited number of common shares without par value			
Issued:			
Balance at April 30, 2009	13,024,294	$ 11,172,203	$ 1,516,443
Private placement	6,505,000	3,505,000	-
Finders Fees	487,875	262,875	-
Mineral properties	2,200,000	2,090,000	-
Warrants exercised	468,275	428,706	-
Options exercised	40,600	63,192	(42,892)
Stock-based compensation	-	-	933,480
Share issuance costs	-	(306,664)	-
Balance at April 30, 2010	22,726,044	17,215,312	2,407,031
Private placement	4,653,000	3,722,400	-
Finder’s fees	159,425	127,540	-
Mineral properties	1,403,997	1,235,517	-
Warrants exercised	3,063,849	2,297,887	-
Options exercised	70,000	80,845	(43,345)
Stock-based compensation	-	-	46,931
Share issuance costs	-	(174,705)	-
Balance at April 30, 2011	32,076,315	24,504,796	2,410,617
Warrants exercised	20,000	15,000	-
Options exercised	75,000	93,880	(41,380)
Stock-based compensation	-	-	1,299
Balance at August 22, 2011	32,171,315	$ 24,613,676	$ 2,370,536

Outstanding Share Data (continued):

(a) Share capital and contributed surplus (continued)

On June 22, 2009, the Company issued 505,000 units at $1.00 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 $1.50 per common share for a total of 252,500 shares. The full value of $505,000 was assigned to the common shares. In connection with the private placement, the Company issued 37,875 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. The Company received share subscriptions of $485,000 toward this private placement during fiscal 2009.

On October 14, 2009, the Company issued 6,000,000 units at $0.50 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 $0.75 per common share, for a total of 3,000,000 shares. The full value of $3,000,000 was assigned to the common shares. In connection with the private placement, the Company issued 450,000 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.

On March 4, 2011, the Company issued 4,653,000 units at $0.80 per unit for gross proceeds of $3,722,400 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 $1.00 per common share, for a total of 2,326,500 shares. The full value of $3,722,400 was assigned to the common shares. In connection with the private placement, as a commission, the Company issued 159,425 units valued at $127,540 with terms similar to those issued under the private placement and paid $14,000 in cash. The Company incurred other cash share issuance costs of $33,165 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. Options issued to consultants providing investor relations services must vest in stages over a minimum of 12 months with no more than one-quarter of the options vesting in any three-month period.

(Expressed in Canadian Dollars)

Outstanding Share Data (continued):

(b) Stock options and warrants (continued)

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

	Warrants		Stock Options	
	Number of Shares	**Weighted Average Exercise Price**	**Number of Shares**	**Weighted Average Exercise Price**
Outstanding, April 30, 2009	4,243,750	$ 0.80	907,400	$ 1.11
Granted	3,496,437	0.81	1,210,000	0.99
Exercised	(468,275)	0.92	(40,600)	0.50
Expired	(493,750)	1.00	(10,000)	2.00
Outstanding, April 30, 2010	6,778,162	0.78	2,066,800	0.81
Granted	2,406,212	1.00	70,000	0.90
Exercised	(3,063,849)	0.75	(70,000)	0.54
Expired	(363,126)	0.75	-	-
Forfeited	-	-	(50,000)	0.50
Outstanding, April 30, 2011	5,757,399	0.89	2,016,800	0.84
Exercised	(20,000)	0.75	(75,000)	0.70
Expired	(271,437)	1.50	-	-
Forfeited	-	-	(20,000)	1.00
Outstanding, August 22, 2011	5,465,962	$ 0.86	1,921,800	$ 0.84

(Expressed in Canadian Dollars)

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, 2011 and August 22, 2011:

	Number of Shares April 30, 2011	Number of Shares August 22, 2011	Exercise Price $	Expiry Date
Options				
	119,800	119,800	0.50	June 7, 2014 (1)
	176,000	161,000	0.50	September 11, 2011 (1)
	30,000	30,000	2.15	September 11, 2011
	40,000	40,000	0.50	November 6, 2011
	5,000	5,000	0.50	May 9, 2012
	266,000	266,000	0.50	September 27, 2012 (1)
	10,000	10,000	1.35	September 27, 2012
	40,000	40,000	0.50	June 17, 2013 (1)
	50,000	50,000	0.50	December 19, 2013
	60,000	-	0.75	July 17, 2011
	1,110,000	1,110,000	1.00	April 28, 2015
	20,000	-	1.00	June 15, 2011 (3)
	20,000	20,000	1.00	December 1, 2011
	70,000	70,000	0.90	June 9, 2015
Warrants				
	271,437	-	1.50	June 22, 2011 (2)
	3,079,750	3,059,750	0.75	October 14, 2011
	2,406,212	2,406,212	1.00	March 4, 2013

(1) During fiscal 2010, a total of 394,000 options were repriced to $0.50 per option upon receiving disinterested shareholder approval at its annual general meeting on September 29, 2009, resulting in additional stock-based compensation of $52,125.

(2) Subsequent to April 30, 2011, a total of 271,437 warrants expired unexercised.

(3) Subsequent to April 30, 2011, a total of 20,000 options were forfeited.

Liquidity:

The Company’s cash position increased from the opening level of $1,349,967 at the beginning of the year to the year-end level of $2,455,973.

The operating loss for the year of $3,187,794, after adjustments for non-cash items and changes in other working capital balances, required total cash funding of $2,913,067.

The net cash cost of the initial consideration paid to acquire Gunnarn Mining and Gunnarn Exploration was $1,956,349. As well, the Company paid $35,200 to initiate an option agreement to acquire 100% interest in the Las Mesas property.

On March 4, 2011, the Company issued 4,653,000 units at $0.80 per unit for gross proceeds of $3,722,400 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 $1.00 per common share. In connection with the private placement, the Company paid $14,000 in cash as a commission and incurred other cash share issuance costs of $33,165.

(Expressed in Canadian Dollars)

Liquidity (continued):

Additional funding was received during the year from the exercise of stock options and warrants whereby the Company issued 3,133,849 common shares for cash proceeds of $2,335,387.

To summarize, the funds on hand at the beginning of the year of $1,349,967, supplemented by the net cash proceeds from financing activities aggregating $6,010,622, were used to fund the cash requirements for operations in the year of $2,913,067, to make an initial payment of $35,200 for the Las Mesas option agreement and to make a cash payment of $1,956,349 as part of the initial consideration for the acquisition of Gunnarn Mining and Gunnarn Exploration such that at April 30, 2011, the Company held $2,455,973 in its accounts.

Commitments:

On April 29, 2011, the Company completed the final agreement with Barsele Guld to purchase all of the issued and outstanding shares of Gunnarn Mining and its wholly-owned subsidiary, Gunnarn Exploration. The Company agreed to make deferred consideration payments to Barsele Guld, in cash and issuances of common shares of the Company over the next four years, with a total value of US$5,500,000. The Company also agreed to make direct exploration expenditures of US$3,000,000 on the Barsele property, over the next two years.

Fiscal Year	Deferred Consideration Payments	Exploration Expenditures
2012	US $1,500,000	US$1,000,000
2013	2,000,000	2,000,000
2014	1,000,000	-
2015	1,000,000	-

Corporate Summary:

On March 4, 2011, the Company issued 4,653,000 units at $0.80 per unit for gross proceeds of $3,722,400 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 $1.00 per common share, for a total of 2,326,500 shares. The full value of $3,722,400 was assigned to the common shares. In connection with the private placement, as a commission, the Company issued 159,425 units valued at $127,540 with terms similar to those issued under the private placement and paid $14,000 in cash. The Company incurred other cash share issuance costs of $33,165 on the private placement.

The Company anticipates completing an additional unit private placement of $2,000,000 with these same terms during the second quarter of fiscal 2012, as part of the agreement expected to be signed with Fresnillo to jointly explore the Coneto mining district.

Currently, management believes that the Company has adequate funds on hand to meet the minimum exploration expenditure commitment on the Barsele property, of US$1,000,000 during the first year, and to sustain its corporate operations for the next 12 months. However, management anticipates additional funds will be required if the Company elects to expand the exploration program on the Barsele property beyond what is currently scheduled for the next 12 months, and 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, during fiscal 2011, the Company succeeded in raising in excess of $3.7 million on the strength of its pending acquisition of the Barsele property. However, there is no certainty that the Company will continue to 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 $0.9 million in cash as of August 22, 2011. 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, 2011, the Company entered into the following transactions with related parties:

(a) Paid or accrued management fees of $173,250 (2010 - $167,500) 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 $72,000 (2010 - $76,650) to Orko Silver Corp., a company with common directors.

(c) Paid or accrued geological fees of $68,000 (2010 - $60,000) to companies controlled by directors for geological consulting services provided to the Company and performed by these individuals. These amounts were included in exploration expenditures.

Included in accounts payable and accrued liabilities as at April 30, 2011 is $10,136 (2010 – $Nil) due to companies controlled by directors.

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. was terminated in August 2010.

In June 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:

Business Combinations:

On May 1, 2010, the Company adopted 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 require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests to 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 expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

Future Accounting Pronouncements:

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, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011.

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. The effective changeover date for the Company was May 1, 2011, at which time Canadian GAAP was replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of fiscal 2012 including comparative IFRS financial results and an opening balance sheet as at 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 nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which assessed the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which included a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; 3) Transition phase which included 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.

Management has completed the scoping phase and the planning stage and is now advancing through the transition stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified some differences. None of the differences identified are 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. The following IFRS 1 mandatory exceptions and optional exemptions apply to the Company.

Mandatory exceptions:

> Estimates – An entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with GAAP, unless there is objective evidence that those estimates were in error.

Optional exemptions elected:

> IFRS 2 Share-Based Payments – The Company elected this exemption from retroactive restatement of equity instruments granted before November 2, 2002 and those which were granted after November 2, 2002 but which vested prior to transition.

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. The AcSB had ongoing projects and was issuing new accounting standards during the conversion period. Management has continued to review new standards, as well as the impact of the new accounting standards to ensure all relevant changes are addressed.

IFRS Changeover Plan Disclosure (continued):

(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.

Based on the Company's assessment of its resource property costs, there was no impairment charge on transition to IFRS.

(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. Under Canadian GAAP, the Company used the accelerated amortization method and therefore the adoption of IFRS 2 did not have a material 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 adoption of IFRS 2 did not have a material impact on the Company's financial statements.

(c) Exploration and Evaluation Assets

Under Canadian GAAP, the Company's acquisition costs of mineral properties were capitalized. Direct exploration and development costs were expensed as incurred until the mineral property was 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 previous policy, if relevant and reliable. The adoption of IFRS 6 did not have a material impact on the Company's financial statements..

(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. The Company has elected to use the cost model and as a result, there will be no impact on the Company's consolidated financial statements upon the adoption of IFRS.

IFRS Changeover Plan Disclosure (continued):

(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 continue to 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 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. Implementing IAS 12 "Income Taxes" did not have a material impact on the financial statements.

(g) Information System, Internal Controls and Reporting Procedures

Information system changes were not required upon adoption of IFRS as all information required to be reported under IFRS was available with the information system previously used by the Company. Based on the Company's operations, the adoption of IFRS also did not have a significant impact on internal controls and reporting procedures.

(h) Financial Statement Presentation and Disclosure

One of the more significant impacts 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, result in more extensive note references. The Company is currently preparing its first consolidated financial statements prepared under IFRS, for the quarter ended July 31, 2011.

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, accounts payable and accrued liabilities and deferred consideration. 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. The carrying value of deferred consideration approximates its fair value using a level 3 fair value measurement due to the brevity of time between the measurement date and reporting date.

(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.

(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 value added tax (VAT), input value-added tax (IVA) and harmonized sales tax (HST), which are recoverable from the governing body in Sweden, Mexico and Canada, respectively. As the Company's exploration operations are conducted in Sweden and Mexico, the Company's operations are also subject to the economic risks associated with those countries.

(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. Deferred consideration is due in installments over the next four years.

(e) Foreign exchange risk

A portion of the Company's operational transactions are originally or effectively denominated in US dollars. As well, because the Company's operations are in Mexico and Sweden, some costs are denominated in Mexican pesos and Swedish Kronor. 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, 2011, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a $5,000 effect on loss and comprehensive loss and a $520,000 effect on liabilities for deferred consideration; a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Mexican Peso would have a $7,000 effect; a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Swedish Krona would have a $13,000 effect.

Financial Instruments (continued):

(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, 2011, a hypothetical change of 1% in the interest rate would have a $25,000 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, 2011, the Company:

(a) Announced that it had engaged Sigorex Management GmbH ("Sigorex") to provide investor relations services. Sigorex will be paid an initial fee of 20,000 EUR, which includes the first month of services, and 5,000 EUR per month after the first month, for a period of one year. The agreement is renewable upon mutual agreement of the two parties.

(b) Issued 20,000 common shares for gross proceeds of $15,000 pursuant to the exercise of warrants.

(c) Issued 75,000 common shares for gross proceeds of $52,500 pursuant to the exercise of stock options.

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.