AURCANA CORPORATION

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

Canadian Funds

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

AURCANA CORPORATION
Consolidated Balance Sheets - Unaudited
(Expressed in Canadian dollars)

ASSETS	March 31, 2010	December 31, 2009
Current		
Cash	**$ 1,503,178**	$ 2,852,174
Accounts receivable - trade	**1,017,237**	1,052,517
- other	**169,459**	257,308
Prepaid expenses and advances	**302,950**	279,051
Marketable securities (Note 6)	**537,500**	637,500
Inventory (Note 4)	**1,852,717**	1,361,922
	5,383,041	6,440,472
Amounts receivable – long term (Note 5)	**765,178**	766,357
Marketable securities – long term (Note 6)	**430,000**	510,000
Property, plant and equipment (Note 7)	**8,729,438**	7,916,519
Mineral properties (Note 8)	**63,930,951**	63,978,122
	$ 79,238,608	$ 79,611,470
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 5,440,051**	$ 4,361,865
Current portion of notes payable (Note 9)	**1,234,795**	1,391,375
	6,674,846	5,753,240
Notes payable (Note 9)	**2,008,182**	2,393,328
Deferred revenue (Note 10)	**20,729,292**	22,185,697
Convertible debenture (Note 11)	**9,083,126**	8,919,003
Asset retirement obligation (Note 12)	**1,333,463**	1,338,036
Future income tax liability	**16,261,287**	16,754,344
	56,090,196	57,343,648
SHAREHOLDERS' EQUITY		
Capital stock (Note 13)	**55,934,504**	55,684,504
Contributed surplus (Note 13(e))	**7,186,108**	7,077,058
Accumulated other comprehensive income	**106,250**	286,250
Deficit	**(40,713,000)**	(41,378,297)
Total equity attributable to equity holders of the parent	**22,513,862**	21,669,515
Non-controlling interest (Note 3)	**634,550**	598,307
	23,148,412	22,267,822
	$ 79,238,608	$ 79,611,470

Nature of Business and Going Concern (Note 1)
Commitments (Note 17)
Subsequent Event (Note 20)

Approved on behalf of the Board:

_______________, Director

_______________, Director

- See Accompanying Notes to the Unaudited Interim Consolidated Financial Statements -

AURCANA CORPORATION
Consolidated Statements of Comprehensive Earnings (Loss) - Unaudited
For the three month period ended March 31
(Expressed in Canadian dollars)

		2010	2009
Mining Operations			
Sales (Note 16)		$ 4,677,771	$ 3,037,037
Cost of sales		(3,336,174)	(2,454,736)
Amortization		(240,517)	(136,587)
Depletion of mineral properties		(485,156)	(367,914)
Accretion of asset retirement obligation (Note 12)		(5,490)	(13,416)
Earnings from Mining Operations		610,434	64,384
Loss From Trading Activity, net (Note 16)		(325,997)	(142,621)
Corporate Expenses			
Administrative expenses		464,019	468,207
Interest and financing		54,067	1,625
Investor relations		62,466	32,690
Listing and filing fees		11,535	6,839
Professional fees		155,947	2,196
Property evaluation		-	73,045
Stock-based compensation (Note 13(d))		148,675	4,087
Total Corporate Expenses		896,709	588,689
Loss from Operations		(612,272)	(666,926)
Other income		22,497	79,546
Foreign exchange gain (loss)		1,291,315	(292,566)
Consolidated Net Earnings (Loss) for the Period		$ 701,540	$ (879,946)
Net earnings (loss) for the period attributable to:			
Non-controlling interest (Note 3)		$ 36,243	$ -
Equity holders of the parent		665,297	(879,946)
		$ 701,540	$ (879,946)
Net earnings (loss) for the period attributable to Equity holders of the parent		$ 665,297	$ (879,946)
Deficit, beginning of period		(41,378,297)	(45,148,687)
Deficit, End of Period		$ (40,713,000)	$ (46,028,633)
Earnings (Loss) Per Share	**- Basic**	$ 0.01	$ (0.01)
	- Fully Diluted	$ 0.01	$ -
Weighted average number of shares	**- Basic**	120,638,327	105,583,933
Weighted average number of shares	**- Fully Diluted**	123,210,052	-

- See Accompanying Notes to the Unaudited Interim Consolidated Financial Statements -

AURCANA CORPORATION
Consolidated Statements of Comprehensive Earnings (Loss) - Unaudited
For the three month period ended March 31
(Expressed in Canadian dollars)

	2010	2009
Net Earnings (Loss) for the Period	**$ 701,540**	$ (879,946)
Other Comprehensive Loss		
Unrealized loss on marketable securities (Note 6)	**(180,000)**	-
Comprehensive Earnings (Loss) for the Period	**$ 521,540**	$ (879,946)

Consolidated Statements of Accumulated Other Comprehensive Earnings - Unaudited
For the three month period ended March 31
(Expressed in Canadian dollars)

	2010	2009
Accumulated Other Comprehensive Earnings, Beginning of Period	**$ 286,250**	$ -
Other Comprehensive Loss		
Unrealized loss on marketable securities (Note 6)	**(180,000)**	-
Accumulated Other Comprehensive Earnings, End of Period	**$ 106,250**	$ -

AURCANA CORPORATION
Consolidated Statements of Cash Flows - Unaudited
For the three month period ended March 31
(Expressed in Canadian dollars)

	2010	2009
Operating Activities		
Net earnings (loss) for the period	$ 701,540	$ (879,946)
Items not involving cash:		
Recognition of deferred revenue	(333,351)	(825,369)
Amortization	240,517	136,587
Depletion of mineral property	485,156	367,914
Accretion of asset retirement obligation	5,490	13,416
Stock-based compensation	148,675	4,087
Accretion of convertible debenture	164,123	-
Interest income (Note 5)	(21,374)	-
Advisory fee paid in w arrants	55,375	-
Unrealized foreign exchange (gain) loss	(1,170,910)	226,292
	275,241	(957,019)
Net change in non-cash w orking capital	253,910	2,329,170
Cash provided by operating activities	529,151	1,372,151
Investing Activities		
Purchase of plant and equipment	(1,053,436)	(213,142)
Expenditures on mineral properties	(437,985)	(258,270)
Cash used in investing activities	(1,491,421)	(471,412)
Financing Activities		
Due from joint venture partner	-	(71,317)
Notes payable	(541,726)	(169,836)
Share capital issued	155,000	-
Cash used in financing activities	(386,726)	(241,153)
Net increase (decrease) in cash	(1,348,996)	659,586
Cash, beginning of period	2,852,174	1,734,484
Cash, end of period	$ 1,503,178	$ 2,394,070
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

Supplemental cash flow information (Note 19)

- *See Accompanying Notes to the Unaudited Interim Consolidated Financial Statements* -

1. NATURE OF BUSINESS AND GOING CONCERN

Aurcana Corporation (the "**Company**") was originally incorporated under the laws of Ontario in 1917 and on 14 September 1998 was continued under Section 187 of the Canada Business Corporations Act. Its principal business activity is the production of copper, silver and zinc and the exploration and development of natural resource properties.

These unaudited interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("**GAAP**") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

While these unaudited interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are events and conditions that cast significant doubt on the validity of that assumption. Although the Company generated earnings of $701,540 for the three months ended March 31, 2010, it has an accumulated deficit of $40.7 million at March 31, 2010. The Company has fallen into arrears on its required silver deliveries (Notes 10 and 16) and will need to raise sufficient funds to meet these obligations as well as fund ongoing exploration and administrative expenses. The Company has no assurance that such financing will be available or be available on favourable terms. Factors that could affect the availability of financing include the Company's performance (as measured by various factors including the progress and results of the Shafter and La Negra projects), the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets.

These unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

These unaudited interim consolidated financial statements include the accounts of: Aurcana Corporation and its wholly-owned subsidiaries, Silver Assets Inc., a U.S. corporation, Cane Silver Inc., a Barbados corporation and Minera Aurcana S.A. de C.V., a Mexican corporation.

Real de Maconi S.A. de C.V. ("**Maconi**"), a Mexican corporation, was formerly accounted for by the proportionate consolidation method. Under this method, the Company included in its accounts its proportionate share of the assets, liabilities, revenues and expenses of Maconi. During the quarter ended September 30, 2009, the Company diluted its former joint venture partner from a 20% interest to an 8% minority interest and took over management of the mine. Accordingly, prior to dilution the Company recognized 80% of the profit or loss of Maconi. Subsequent to the dilution of its former joint venture partner, the Company consolidates 100% of the profit or loss and assets and liabilities of Maconi, and recognizes an 8% non-controlling interest in the results of Maconi. Maconi owns 100% of Minera La Negra S.A. de C.V. ("**Minera La Negra**"), a Mexican Corporation.

The accompanying unaudited interim consolidated financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian GAAP on a basis consistent with those outlined in the Company's audited financial statements for the year ended December 31, 2009. These notes do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the most recent annual financial statements of the Company.

(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES (continued)

Adoption of new accounting standards

Effective January 1, 2010 the Company adopted the following new accounting standards:

The Canadian Institute of Chartered Accountants ("**CICA**") concurrently issued Section 1601 "*Consolidated Financial Statements*" and Section 1602 "*Non-Controlling Interests*", which replace Section 1600 "*Consolidated Financial Statements*". Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "*Business Combinations*".

The Company has early adopted the requirements of CICA 1582, 1601 and 1602, effective January 1, 2010. The adoption resulted in a reclassification of non-controlling interests of $598,307 to shareholders' equity as at December 31, 2009. In addition, non-controlling interests are now presented within shareholders' equity on the consolidated balance sheet and the non-controlling interests in income are no longer deducted in arriving at consolidated net earnings. There is no effect from adoption on previous business combinations.

3. DILUTION OF JOINT VENTURE PARTNER

During the year ended December 31, 2009, the Company diluted its former joint venture partner from a 20% interest in Maconi to an 8% minority interest.

Pursuant to the terms of the former joint venture agreement under which the Maconi joint venture operated, and prior to the dilution, any funding by the corporation, as to 80%, was to be matched by a 20% contribution by the joint venture partner. As a result of the non-contribution by the joint venture partner, the Company elected to dilute the joint venture partner, resulting in the joint venture partner holding a non-controlling interest.

Prior to the dilution, the Company recognized 80% of the profit or loss of Maconi. Subsequent to dilution, the Company consolidates 100% of the profit or loss of Maconi, and recognizes an 8% non-controlling interest. All amounts previously booked as receivable from the former joint venture partner were eliminated upon the dilution.

Non-controlling interest, December 31, 2009	$ 598,307
Non-controlling interest share of net earnings of La Negra for the quarter ended March 31, 2010	36,243
Non-controlling interest, March 31, 2010	$ 634,550

4. INVENTORY

	March 31, 2010	December 31, 2009
Supplies inventory	**$ 1,200,957**	$ 1,147,253
Stockpile inventory	**632,454**	178,011
Concentrates and in-process inventory	**19,306**	36,658
Total inventory	**$ 1,852,717**	$ 1,361,922

(Expressed in Canadian dollars)

5. AMOUNTS RECEIVABLE

On November 30, 2009, the Company sold its Rosario exploration and development project located in Sinaloa, State, Mexico ("**Rosario**") to Silvermex Resources Inc. ("**Silvermex**").

As partial consideration, the Company is to receive approximately $1,016,000 (US$1 million) in two payments of $508,000 (US$500,000) on the earlier of 24 and 36 months from November 30, 2009 or 12 and 24 months after the commencement of commercial production. The carrying value of this receivable is calculated using a 12% discount rate and will be accreted up to its principal balance over the term of the receivable using the effective interest method. A summary of the changes in amounts receivable is presented below:

Carrying value, December 31, 2009	$ 766,357
Accretion for the period	21,374
Unrealized foreign exchange loss	(22,553)
Carrying value, March 31, 2010	$ 765,178

6. MARKETABLE SECURITIES

As partial consideration for the sale of Rosario (Note 5), Silvermex issued 1,000,000 common shares, and also issued 250,000 shares as an extension fee.

At March 31, 2010, the Company held 1,250,000 (December 31, 2009: 1,250,000) common shares of Silvermex, of which 750,000 were held in escrow. The escrowed shares will be released in stages of 250,000 per quarter during the remainder of 2010.

The 1,250,000 Silvermex shares are carried at fair market value based on quoted market prices as follows:

Balance, December 31, 2009	$ 637,500
Unrealized loss	(100,000)
Balance, March 31, 2010	$ 537,500

As partial consideration, at the earlier of commencement of commercial production or within 24 months from November 30, 2009, Silvermex will issue an additional 1,000,000 common shares. These shares are recorded as long-term marketable securities as they represent future payments to be received on November 30, 2011 or the earlier of commencement of commercial production at Rosario, which is not expected to take place within the next 12 months.

The 1,000,000 Silvermex shares are carried at fair market value based on quoted market prices as follows:

Balance, December 31, 2009	$ 510,000
Unrealized loss	(80,000)
Balance, March 31, 2010	$ 430,000

(Expressed in Canadian dollars)

7. PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2010, property, plant and equipment consisted of the following:

	Cost	Accumulated Amortization	Net Book Value
Land and Buildings	$ 1,049,510	$ -	$ 1,049,510
Plant & equipment	9,179,901	1,950,173	7,229,728
Vehicles	443,599	182,293	261,306
Computer equipment	338,093	196,608	141,485
Other	55,292	7,883	47,409
	$ 11,066,395	$ 2,336,957	$ 8,729,438

As at December 31, 2009, property, plant and equipment consisted of the following:

	Cost	Accumulated Amortization	Net Book Value
Land and buildings	$ 894,900	$ -	$ 894,900
Plant & equipment	8,273,441	1,767,213	6,506,228
Vehicles	460,772	162,803	297,969
Computer equipment	334,887	161,242	173,645
Other	49,463	5,686	43,777
	$ 10,013,463	$ 2,096,944	$ 7,916,519

Plant and equipment of $844,580 (December 31, 2009: $844,580) held by the Company's wholly-owned subsidiary Silver Assets, Inc. are not subject to depreciation as the project is not in production.

8. MINERAL PROPERTIES

	La Negra, Mexico	Shafter, Texas	Total
Balance, December 31, 2009	$ 7,929,188	$ 56,048,934	$ 63,978,122
Mineral property expenditures	-	173,862	173,862
Capitalized interest expense	-	100,000	100,000
Capitalized accretion expense (Note 11)	-	164,123	164,123
Depletion	(485,156)	-	(485,156)
Balance, March 31, 2010	$ 7,444,032	$ 56,486,919	$ 63,930,951

a) La Negra Mine, Queretaro State, Mexico

In March 2006, the Company entered into a joint venture agreement (the "**JV Agreement**") with Reyna Mining & Engineering S.A. de C.V. ("**Reyna**") to operate Maconi through which they were jointly developing the La Negra mine ("**La Negra**") in Queretaro State, Mexico as held in the 100% subsidiary, Minera La Negra.

As its initial 20% contribution to the former joint venture (see Note 3), Reyna contributed all the legal rights and obligations it held to acquire a 100% interest in La Negra, valued in the JV Agreement at US $1,500,000.

(Expressed in Canadian dollars)

8. MINERAL PROPERTIES (continued)

a) La Negra Mine, Queretaro State, Mexico (continued)

Under the terms of the JV Agreement, the Company agreed to pay $1,250,000 and issue 3,000,000 common shares of the Company to Reyna. The capital stock obligations were measured at the fair value of the Company's common shares on the agreement date ($600,000). There are no further obligations to issue shares.

The Company also issued 1,000,000 warrants to Reyna, with each warrant entitling Reyna to purchase one common share of the Company for $0.25 on or before May 18, 2008. The warrants were fair valued at $293,099 using the Black-Scholes option pricing model. A finder's fee of US $170,000 was paid in cash. The warrants were exercised prior to expiry in 2008.

During the year ended December 31, 2009, the Company diluted Reyna's ownership interest to 8% and consequently the Company holds a 100% interest in La Negra, subject to an 8% non-controlling interest (Note 3).

b) Shafter Silver Mine, Texas

On July 15, 2008, the Company, through its wholly-owned subsidiary Silver Assets, Inc., acquired 100% of the Shafter silver mine ("**Shafter**") from Silver Standard Resources Inc. ("**Silver Standard**"). Shafter is located in Presidio County, southwest Texas.

In consideration, the Company paid Silver Standard US $23 million in cash; issued 15 million common shares of the Company to Silver Standard (fair value $6,900,000); and issued a $10 million convertible debenture to Silver Standard which pays a 3.17% weighted average coupon with a three-year term and is convertible into 6.62 million common shares of the Company at $1.51 per share (Note 11).

9. NOTES PAYABLE

	March 31, 2010	December 31, 2009
Capital equipment contracts, repayable in quarterly payments totalling US$60,000 at 8.78% per annum, maturing December 2011 and secured by the related equipment	**$ 439,370**	$ 618,650
Notes payable to the Company's principal customer (Note 18), repayable in monthly instalments totalling US$80,000; bearing interest at LIBOR plus 2% per annum	**2,803,607**	3,166,053
	3,242,977	3,784,703
Less: Current portion	**(1,234,795)**	(1,391,375)
	$ 2,008,182	$ 2,393,328

Scheduled principal repayments are as follows:

2010	$ 889,768
2011	1,174,881
2012	1,178,328
	$ 3,242,977

10. DEFERRED REVENUE

In June 2008, the Company contracted to sell to Silver Wheaton (Caymans) Ltd. ("**Silver Wheaton**") the equivalent of 50% of the silver metal produced from ore extracted during the mine-life at La Negra. In consideration, the Company received an upfront cash payment of US$25 million which it recorded as deferred revenue, and a further sale price of US$3.90 per ounce of silver sold to Silver Wheaton, with the sale price subject to an inflationary adjustment in year three. Under the terms of the agreement, the Company must deliver sufficient ounces of silver to Silver Wheaton within a forty year term, on a prescribed formula, or a portion of the deferred revenue, without interest, will become repayable to Silver Wheaton. All of the shares of Minera La Negra have been pledged as security for the agreement with Silver Wheaton. As the sale amount and the corresponding deferred revenue are denominated in US dollars, the amounts included in the unaudited interim consolidated financial statements include an adjustment for unrealized foreign exchange variations.

During the first quarter of 2009, due to ongoing negotiations surrounding the re-pricing of shipments with the concentrate buyer, and other factors, the Company fell into arrears on its payments of refined silver produced from La Negra to Silver Wheaton pursuant to the terms of the agreement with Silver Wheaton. The Company and Silver Wheaton negotiated a draft agreement to remedy this situation. The definitive agreement is still being finalized. The draft agreement and subsequent verbal agreements require that a minimum 10% of the silver owed is to be repaid each month, with the balance of ounces owing to accrue interest at a rate of 3.25% (US Prime rate). Included in accounts payable and accrued liabilities at March 31, 2010 was an amount of $1.78 million (December 31, 2009: $1.35 million) owing to Silver Wheaton for silver arrears.

Deferred revenue is calculated as follows:

	US Dollars	Canadian Dollars
Balance, December 31, 2009	$ 21,197,876	$ 22,185,697
Recognized as revenue on deliveries	(325,856)	(333,351)
Unrealized foreign exchange gain	-	(690,343)
Amount reclassified as accounts payable	(465,155)	(432,711)
Balance, March 31, 2010	$ 20,406,865	$ 20,729,292

11. CONVERTIBLE DEBENTURE

In July 2008, as noted in Note 8(b), the Company issued a convertible debenture to Silver Standard as part of the purchase price to acquire Shafter. The convertible debenture is unsecured, has a $10 million face value, bears interest at 1.5% per annum for the first year and 4% per annum for the 2 following years, is convertible into common shares of the Company at $1.51 per share and is due in full on July 15, 2011.

At inception, the Company recorded the fair value of the conversion option to be $941,060 and recorded this amount in "contributed surplus". The convertible liability was discounted by $1,220,940 to yield an effective interest rate of 12% on the debt portion of the instrument. The Company capitalizes the interest and the accretion expense to Shafter, the purchase of which was financed by the convertible debenture.

The following table details the change in the convertible debenture for the quarter ended March 31, 2010:

Balance, December 31, 2009	$ 8,919,003
Accretion for the period	164,123
Balance, March 31, 2010	$ 9,083,126

(Expressed in Canadian dollars)

12. ASSET RETIREMENT OBLIGATION

Management has estimated reclamation and closure costs for the La Negra mine workings using its best judgment of such future costs and based on an anticipated mine life of 5 years. The ultimate value of the asset retirement obligation ("**ARO**") is uncertain and may change in future years based on updated estimates of costs, mine life, and other new information. Any future changes in the estimate of the ARO will be recognized prospectively in the year such adjustment is made.

The ARO has been calculated using a discount rate of 5% and an inflation rate of 2.50%. The future amount of the obligation is $1,469,699 and the reclamation activities are estimated to commence in approximately 5 years.

Details are as follows:

Balance, December 31, 2009	$ 1,338,036
Accretion	5,490
Unrealized foreign exchange gain	(10,063)
Balance, March 31, 2010	$ 1,333,463

13. CAPITAL STOCK

a) Authorized

An unlimited number of common shares

b) Share issuance details

	Shares	Amount
Balance, December 31, 2009	120,171,660	$ 55,684,504
Exercise of stock options	500,000	250,000
Balance, March 31, 2010	120,671,660	$ 55,934,504

c) Stock options

The Company has a Rolling Stock Option Plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the board of directors within regulatory guidelines.

A summary of the changes in stock options is presented below:

Balance, December 31, 2009	12,012,500
Granted	900,000
Exercised	(500,000)
Expired	(1,400,000)
Balance, March 31, 2010	11,012,500

(Expressed in Canadian dollars)

13. CAPITAL STOCK (continued)

c) Stock options (continued)

The weighted average exercise price of the stock options outstanding at March 31, 2010 was $0.37 (December 31, 2009: $0.45) and the weighted average remaining life of the options was 3.67 (December 31, 2009: 3.67) years. The options granted during the quarter ended March 31, 2010 had a weighted average price of $0.275, the exercised options had a weighted average price of $0.31 and the expired options had a weighted average price of $1.02.

The following stock options were outstanding as at March 31, 2010:

Outstanding	Vested		Exercise Price	Expiry Date
600,000	600,000	$	0.59	August 18, 2011
500,000	500,000	$	0.59	August 24, 2011
912,500	912,500	$	1.50	March 22, 2012
150,000	150,000	$	1.65	March 30, 2012
100,000	100,000	$	0.64	December 12, 2012
150,000	150,000	$	0.58	May 15, 2013
1,625,000	1,625,000	$	0.31	September 9, 2013
150,000	150,000	$	0.16	October 20, 2013
350,000	350,000	$	0.13	January 16, 2014
3,875,000	2,862,500	$	0.11	August 13, 2014
1,700,000	1,662,500	$	0.29	December 9, 2014
200,000	100,000	$	0.28	February 12, 2011
700,000	700,000	$	0.28	February 12, 2015
11,012,500	9,862,500			

d) Stock-based compensation

The Company applies the fair value method of accounting for all awards of stock options by using the Black-Scholes Option Pricing Model ("**Black-Scholes Model**"). For the 900,000 stock options that were granted during the quarter ended March 31, 2010, the stock-based compensation expense was $148,675 (2009: $4,087). The fair value of the stock options granted was calculated using the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.02%	2.98%
Expected stock price volatility	84.67%	89.33%
Expected dividend yield	0.0%	0.0%
Expected option life in years	4.1	5.0

e) Contributed surplus

(Expressed in Canadian dollars)

Balance, December 31, 2009	$	7,077,058
Fair value of stock options granted		148,675
Fair value of warrants issued (Note 13(f))		55,375
Exercise of stock options		(95,000)
Balance, March 31, 2010	$	7,186,108

(Expressed in Canadian dollars)

13. CAPITAL STOCK (continued)

f) Share purchase warrants

A summary of the changes in warrants is presented below:

Balance, December 31, 2009	6,208,560
Issued	300,000
Balance, March 31, 2010	6,508,560

On March 2, 2010, and pursuant to an advisory agreement, the Company issued 300,000 share purchase warrants to Auramet Trading, LLC ("**Auramet**"). Each warrant is exercisable into one common share of the Company at an exercise price of $0.35 per share. The warrants expire on March 2, 2013.

The following warrants were outstanding as at March 31, 2010:

Number of Warrants	Exercise Price		Expiry Date
5,793,864	$	0.35	May 16, 2011
414,696	$	0.30	May 16, 2011
300,000	$	0.35	March 2, 2013
6,508,560			

For the 300,000 warrants that were issued during the quarter ended March 31, 2010, the fair value of the warrants using the Black-Scholes Model was $55,375, the amount of which was included in administrative expenses in the statement of earnings. The following weighted average assumptions were used:

Risk-free interest rate	1.63%
Expected stock price volatility	85.00%
Expected dividend yield	0.0%
Expected option life in years	3.0

14. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2010, the Company paid or accrued:

- Management fees of $75,000 (2009: $47,600) to companies controlled by directors or former directors;
- Administrative management fees of $3,360 (2009: $53,660) to companies controlled by directors;
- Technical and consulting services of $38,500 (2009: $38,620) to companies controlled by directors or officers; and
- Consulting fees of $22,500 (2009: $46,125) to officers, former officers and companies controlled by officers.

As at March 31, 2010, prepaid expenses and advances contained an amount of $91,252 (December 31, 2009: $56,434) paid to officers and directors as advances for travel, accommodation and conference costs.

These fees were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

(Expressed in Canadian dollars)

15. SEGMENTED DISCLOSURE

The Company operates in only one sector, the exploration and development of mineral properties. Geographical disclosure as at March 31, 2010 and for the quarter then ended is as follows:

	Revenue	Earnings	Property, Plant and Equipment	Mineral Properties	Total Capital Assets	Total Assets
Canada	$ -	$ 75,031	$ 399,450	$ -	$ 399,450	$ 2,125,019
United States	-	463,216	844,580	56,486,919	57,331,499	57,334,816
Mexico	4,677,771	163,293	7,485,408	7,444,032	14,929,440	19,778,773
Total	$4,677,771	$ 701,540	$ 8,729,438	$ 63,930,951	$ 72,660,389	$ 79,238,608

The following statement of operations information is for the comparative quarter ended March 31, 2009 and the balance sheet information is at December 31, 2009:

	Revenue	Earnings (Loss)	Property, Plant and Equipment	Mineral Properties	Total Capital Assets	Total Assets
Canada	$ -	$ (730,063)	$ 381,436	$ -	$ 381,436	$ 3,137,420
United States	-	2,258	907,125	56,048,934	56,997,623	56,111,479
Mexico	3,037,037	(152,141)	6,627,958	7,929,188	14,352,680	20,362,571
Total	$3,037,037	$ (879,946)	$ 7,916,519	$ 63,978,122	$ 71,731,739	$ 79,611,470

16. SALES AND ECONOMIC DEPENDENCE

Details of sales generated from customers that individually account for approximately 10% or more of consolidated sales for the quarter ended March 31 are as follows:

	2010	2009
Number of significant customers	1	1
Amount of sales to significant customers	$ 4,677,771	$ 3,037,037
Total consolidated sales	$ 4,677,771	$ 3,037,037
Total percentage of consolidated sales generated from significant customers	100%	100%

The Company has an exclusive multi-year sales agreement for the sale of all or substantially all of its copper and zinc concentrate from La Negra (Note 17). The Company is economically dependent upon a single customer and upon the successful renewal or replacement of this contract at economic rates.

16. SALES AND ECONOMIC DEPENDENCE (continued)

Pursuant to the Silver Wheaton agreement (Note 10), the Company recognized the following loss from trading activity during the quarter ended March 31:

		2010		2009
Cash portion of sales received from Silver Wheaton	$	215,460	$	96,952
Recognition of deferred revenue (Note 10)		333,351		96,032
		548,811		192,984
Cost of sales - purchase of silver certificates		(874,808)		(335,605)
Loss from trading activity	$	(325,997)	$	(142,621)

17. COMMITMENTS

Supply agreement

On November 14, 2006, Minera La Negra signed a purchase contract with Trafigura Beheer B.V. ("**Trafigura**") whereby Trafigura agreed to purchase 100%, evenly spread from January to December, of copper and zinc concentrate to be produced by La Negra. Prices are based on the published prices in the Metal Bulletin in London in US dollars at the transaction date unless fixed for the month at the discretion of the Company.

Office Lease

Effective May 1, 2010, the Company executed a lease for new office space for a period of 60 months, expiring on April 30, 2015. The minimum annual payments are $86,160 (May 1, 2010 to April 30, 2012), $89,750 (May 1, 2012 to April 30, 2013) and $93,340 (May 1, 2013 to April 30, 2015).

Deferred Revenue

The Company has commitments to deliver 50% of its silver production from La Negra as payment for the funds received from the advance silver sale. During 2009, this was renegotiated to a minimum 10% delivery, with the balance of ounces owing to accrue interest at a rate of 3.25% (US Prime rate) (Note 10).

18. CONTINGENCIES

a) During the quarter ended March 31, 2010, the Company received a notice of legal action filed in Mexico by Mechanismos Mineros ("**Mechanismos**"), a former contractor who was responsible for labour outsourcing at La Negra. The suit alleged that Mechanismos was entitled to severance payments of approximately Mexican Pesos ("**MP**") $1 million (approximately $83,000). The Company denies any such liability and filed a counter claim for MP$2.4 million (approximately $198,000) alleging non-payment of payroll deductions withheld. The Company further alleges that Mechanismos has unlawfully retained legal, personnel and tax documents which are the property of the Company and which may be damaging to the Company.

b) During the quarter ended March 31, 2010, the Company received a notice of assessment with respect to value-added tax and other taxes which the Government of Mexico believes are outstanding in the amount of MP$66 million (approximately $5.45 million). The notice was issued due to the inability of the Company to provide documentation to the government to support previous tax filings. The documentation had been retained by Mechanismos. Pursuant to a court order, the documentation was eventually returned to the Company and is being submitted to the government. The Company is currently in communication with the tax authorities, and believes that the assessment is in error and will be reversed. Accordingly, no provision is recorded for this amount.

19. SUPPLEMENTAL CASH FLOW INFORMATION

The non-cash transaction for the quarter ended March 31, 2010 consisted of the Company issuing 300,000 share purchase warrants to Auramet (Note 13(f)) with a fair value of $55,375.

20. SUBSEQUENT EVENT

Subsequent to March 31, 2010, 250,000 stock options with an exercise price of $0.37 per share were granted and 425,000 stock options with a weighted average exercise price of $0.14 per share were exercised.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial standard presentation adopted for the quarter ended March 31, 2010.