SILVER SHIELD RESOURCES CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

The following Management's Discussion and Analysis ("MD&A") of the Company has been prepared based on information available to the Company as at April 30, 2012, and analyzes the Company's results for the year ended December 31, 2011. The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles.

Overview

The Company's principal business activity is the acquisition, exploration and development of high potential mineral properties, with particular focus on silver and gold.

Silver prices have been volatile over the past six months ranging between $ 30 USD and the $ 50 USD mark. The traditional gold:silver ratio appears to have become untied and Silver may well be trading on its own merits, suggesting the upside is huge. But this also introduces great uncertainty. Turmoil in the European financial situation has weighed heavily on North American markets and share prices in the Precious metals sector continue under pressure. With the La Cumbre and Welsh projects being low cost advanced stage projects the company is very encouraged that prices of silver and gold remain in the range that would be profitable if those projects could move into production.

Management believes that the volatility in the silver price will continue through 2012, ranging possibly as high as $ 60 USD, and down to $ 30USD. The price of gold and silver are impacted by many factors, ultimately reflecting supply and demand, driven by commercial as well as investment demands. Keep in mind that even the Major companies are finding that replacing mined reserves has become increasingly difficult.

In addition, since 2006 we have seen a unique situation in mineral commodity prices in that all mineral commodity prices are at historical highs – at the same time, and this continues in spite of calls for a correction. This results from a worldwide demand for mineral products that has never existed before, and is unlikely to decrease, even though the rate of growth in demand may moderate. At the present time, management of the Company has determined that silver and gold will continue to be its principal interest. Silver Shield has as its primary goal to be a producer of precious metals in the near term. The company's potential shallow deposits with good infrastructure present have the potential to be brought to production sooner, rather than later, due to the expected lower costs of development.

The company maintains a focused directive of sourcing and finding high quality projects in the more advanced stage of exploration. It is the company's belief that with its skilled mining team of development experts the focus on projects and properties that can become producers is the focused plan that will maximize shareholder value and grow company assets.

Currently, (April 30, 2012) the Company has a negative working capital of $ 962,266.
The Company must raise funds within a very short-term period or it will not be able to sustain its operations. The primary cause of the working capital deficiency is the result of maintaining properties, operations and business offices in the economic downturn, with a lack of fundraising opportunities.

Company officials continue to take cost-cutting steps to ensure the continued viability of the company and have been actively pursuing properties that have potential to generate cash flow in the near term period. The Company is actively seeking additional capital financing from other Investors. Management is pursuing debt settlement with creditors by way of shares, as approved by the shareholders at the Annual Meeting, as a way of reducing debt, and expects to clear a large portion of current debt through this mechanism.

The ability of the Company to arrange financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

Overall Performance

The primary focus of the Company is the exploration for Gold in the Timmins Area, further development of the mineralized veins that traverse the Welsh Silver Mine Property, in Elk Lake, Ontario, and the exploration and development of the La Cumbre Property, in Guerrero State Mexico. The La Cumbre Mexican Property is wholly owned, as is the Welsh Silver Mine in Ontario, subject only to royalty payments. The Temixco tailings project with it's projected high cash flow potential is a major project under review by the company.

The Company managed to advance its Canadian projects through 2012 even with limited funding and was also able to maintain it's major Mexican assets. The Volatility in metal prices since 2010 has translated to the continued pressure on the junior mining sector, with share prices reaching lows well below actual value.

Management has maintained focus on its long term plan and has managed cash well in difficult financial times. It has adhered to a strict belief in its properties and people and has maintained its key properties, while waiting for the opportunity to follow-up on successful drilling programs in Mexico. No properties were added in 2011 to the company but it worked to various degrees on its current holdings but additional well located claims were added in Hislop Township early in 2012.

In the second quarter of 2011 a Drilling Program of 1,200 metres was completed in at the Welsh Mine property. Some good Silver values were returned over mineable widths but were difficult to obtain and the company needs to execute a much more extensive drill program to adequately follow up these good results. An IP and Mag survey was completed on the Lost Dog property this year, again with excellent results.

Investigation of other properties with near term production potential has continued in Mexico and it is hoped that other acquisitions will be completed within the next six months.

The Company does not currently derive any revenue from its operations, aside from interest revenue on short-term investments. Its ability to conduct exploration on its properties and develop properties that could prove to be economical is based on its ability to raise capital through equity financing. The Company's ability to raise capital by equity financing in the near future will be affected by the price of gold and silver and the results of management's success in promoting the company to the investment community. Financing will also be required to move forward on projects the company has acquired in Canada and Mexico and others that they have been working towards obtaining in the La Cumbre area as well.

Review of Operations
Mexico Properties

During 2011 the Company had hoped to make a number of acquisitions with a view to improving its land holdings in Mexico, these did not materialize.

The Jaripo Property which covers a total of 2,950 Ha dominated by a north-south trending fault that has been traced for over 10 kilometres. In the central portion of the fault a 2 meter wide carbonate-quartz vein which hosts the main mineralization, is between sediments on the east and an 8 meter wide carbonate altered felsic dyke to the west. This mineralization has been traced semi-continuously on surface for over 1,200 metres by a series of old mine workings including shafts, pits and adits. Sampling by Silver Shield returned assays ranging from 43 g/t Ag up to 1,018 g/t Ag in grab samples. A diamond drilling program of 1,500 metres intended to outline near-surface mineralization in the area of the historic mine workings was completed at the Jaripo property in June 2010. While results were interesting the lack of exploration funds resulted in no work in 2011, and Silver Shield has abandoned the property rather than continue to make costly property payments, and not carry on meaningful exploration.

In January of 2008, the Company commenced its drilling program on the La Cumbre project in Mexico (the "Mexico Properties") under the supervision of VP of Exploration Raymond Lashbrook. The 18 surface drill hole program was designed to test the La Cumbre Zone while also exploring other areas near the Company's main holdings. This first phase drilling program of 2,500 metres concluded in April, 2008. The results received by the Company from the drilling were very encouraging. Promising silver values, with frequent gold and copper have been intersected in most drill holes. Highlights included Hole LC-08-01 that intersected 308.28 g/t silver and 1.378 g/t gold over 3.8 metres and Hole LC-08-11 which intersected 2159.15 g/t silver and 28.441 g/t gold over .55 metres.

The Company believes that this combination of the high silver values plus the sections of high gold values, combined with lack of lead and zinc values suggest that we the Company is operating in the upper or higher section of the epithermal system. As epithermal vein systems are usually characterized by having higher gold and silver near the top of the system and becoming more base metal rich at the bottom, the drilling seems to confirm management's original belief that the Mexico Property is near the top of the system. Should this be the case, the Mexico Property could hold considerable silver-gold values.

In line with its corporate strategy, the Company is actively pursuing other promising properties in Mexico. To date, the Company has already added 7,600 ha to its land position in the La Cumbre region of Mexico. It is the hope of the Company that these new properties yield the opportunity to develop high quality mines and properties that we can bring to production in the future. We expect in the next quarter to acquire additional properties in Mexico.

Silver Shield owns 100% of the project outright, subject to the $1.00 per tonne NSR in place. The Company has instituted infrastructure and other improvements around the property and Mr. Lashbrook has been met with increased public acceptance in the Mexican community. Due to this good working relationship, the local people are also very helpful in pointing out new properties for the Company to consider for acquisition.

Readers are encouraged to read the Company's public filings on SEDAR at www.sedar.com, in particular, the press releases dated May 6 and June 18, 2008 containing greater details of the drill program at the La Cumbre property, highlights of the assay results and the quality assurances and controls surrounding the results from the drill program.

Canadian Properties

While the Company has completed most of its planned acquisitions in the West Timmins gold mining camp remains one property of interest that will be pursued as long as it can be acquired on reasonable terms.

In March 2010 the company completed an agreement with Mhakari Gold, a private company, which will see them each acquire 50% of four groups of mining claims strategically located in the West Timmins Mining Camp. A total of 17 mining claim units were to be acquired in Ogden, Mountjoy, Denton and Carscallen Townships. Due to a lack of available exploration funding Silver Shield has elected to discontinue involvement in the option agreement in order to focus on its 100% projects

The final agreement for the Lost Dog project acquisition was announced in February 2010. The property consists of 36 un-patented mining claim units in south central Denton Township. These claims cover an area of 575 ha, located about 5 km south of the highly prospective Porcupine-Destor Fault Zone, which is an important feature to most of the largest past producers in The Timmins Camp. The property is underlain by a suite of felsic to intermediate intrusive rocks of the Kenogamissi Batholith, an older potassium feldspar-porphyry granodiorite that outcrops in the southern half of the property and extends across the property and a younger biotite-hornblende granodiorite that has intruded the feldspar porphyry granodiorite. These rocks have been variously affected by the Porcupine-Destor Fault Zone. Also of interest is the contact with the Tisdale Assemblage-Mafic Volcanic sequence on the north side of the property.

Exploration of the Lost Dog Property has commenced and is continuing. A program including linecutting, magnetic and IP surveys was completed and now covered 100% of the ground position. Results require additional analysis and ground follow-up and will generate drill targets for later in 2012..

The Company has paid the final payment, and a total of Fifty Thousand ($50,000) and Seven Hundred Fifty thousand (750,000) common shares, over the two-year period for an option to acquire a 100-per-cent interest in the property. The Vendors retain a royalty of 2 % of NSR that Silver Shield has the right to purchase 1% of at any time, for $ 1,000,000.

The Lost Dog project is located thirty kilometres south-west of the Timmins city center, in the South Central Denton Township, 12 km west of Lake Shore Gold's Timmins Mine, and the Lakeshore/West Timmins Mining Inc. Thunder Creek project. The property adjoins Lakeshore Gold Mines and Nebu Resources who are actively exploring in the same township, and have has recently announced interesting drilling results.

In August 2009 the company announced the acquisition of the Ogden property in the West Timmins Gold Area, currently the hottest gold exploration play in Canada. This reflects the company’s growing interest in primary gold projects. It is planned to increase the property position in West Timmins as well as to acquire additional gold projects in Ontario. The Company will pay a total of five hundred thousand (500,000) common shares, and expend $ 500,000 in exploration, over a two-year period for an option to acquire a 100-per-cent interest in the property, subject to regulatory approval. The Vendors will retain a 1.5% NSR which Silver Shield has the right to purchase at any time, for $ 1,250,000. A director of Silver

Shield is one of the vendors with a 25% ownership in the property. The Ogden project is located ten kilometres south-west of the Timmins city center, in the North-west corner of Ogden Township. Recent discoveries in the area include Lake Shore Gold's 830,000 oz Timmins Mine, and the Lakeshore/West Timmins Mining Inc. Thunder Creek project, located 10 kilometres to the west of the property. Metals Creek Resources has recently announced high-grade surface sampling and excellent drill results on its Ogden Project 5 km to the east.

The property consists of 2 patented mining claims that have been privately held for many years and no previous exploration work is known to have been performed. The area however is highly overburden covered and very few outcrops exist in the area and no outcrops are known on the property. These claims cover an area of 20 ha, located about 3 km north of the highly prospective Porcupine-Destor Fault Zone, which is an important feature to most of the largest past producers in The Timmins Camp, and 1.5 kilometres east of the north-south trending Mattagami River Fault. The property is underlain by sedimentary rocks of the Porcupine Assemblage, close to the contact with the Tisdale Assemblage- Mafic Volcanic sequence. The sedimentary sequence is the youngest in the Porcupine Assemblage overlying the Krist felsic volcanics and the prolific Quartz-Feldspar Porphyry intrusions that many of the significant gold deposits are associated with. The deposits appear to be also associated with splay faults that trend off to the north of the Porcupine Destor fault.

In May 2008 the Company staked additional land in Ontario in the Elk Lake region and is currently assimilating data on the property. Further exploration in the area will depend on the availability of financing and the Company is reviewing its holding to determine those assets that could be divested as a source of financing.

In March 2008 the Company initiated a drilling program of 1,500 metres at its Welsh Mine property in Elk Lake, Ontario (the "Welsh Property"). The program was designed to test for historical values that had been obtained by Teck/Lacana in the 1980's in narrow but high-grade intersections. The drilling program and the initial results noted below were sufficiently encouraging to lead management to expand the drill program to a total of 21 holes and 3,000 metres. The Company believes that this area to the south-east of the Welsh Mine has potential to hold a significant silver resource.

Highlights of the drill program operated at the Welsh Property include a high grade intersection of 2,589 g/t silver (75.6 ounces per ton) at 111.3 metres to 111.5 metres, and 286 g/t silver (8.35 ounces per ton) at 82.15 metres to 82.35 metres in hole WS-08-09. The 29 metre interval between these two intercepts will be reviewed, sampled and assayed to appropriately determine the future actions by the Company. Management believes that the discovery of another high-grade intersection discovered to the south of the aforementioned intersection indicates further veining with high grade values along the strike length of 190 metres. Further drilling on the property intersected 1,230 g/t silver approximately 190 metres south of WS-08-02. Stripping has been completed in the area between the high grade intersections and the company hopes to begin drilling in the next quarter in this area once again.

In March 2011 the Company staked additional land in Ontario in the Elk Lake region to protect its holdings at the Welsh Mine.

By the end of May 2011the Company had completed a 10 hole, 1,283 metre diamond drilling program at the Welsh mine Property. The drilling targeted seven holes into the area south of Silverclaim Lake where high-grade silver was intersected in 2008 (see details below), and three holes into the immediate Welsh Mine area to test for eastward extensions to the veins developed by the Welsh mine workings. Drilling is complete and the vein swarms intersected in the previous drilling were again intersected. While all of the holes intersected mineralized veins, only Drillhole SCL-11-07 returned significant assay values. The following is a summary of the significant assay intervals from SCL-11-07:

- l 1.04 m from 55.58 - 56.62 m grading 710.42 g/t Ag (20.74 opt)
- l 1.16 m from 90.91 - 92.07 m grading 532.39 g/t Ag (15.54 opt)
- l 0.09m from 109.29- 109.38m grading 96 g/t Ag (2.80 opt)

The importance of these intervals is that economically interesting grades over typical mining widths have been obtained for the first time. These intersections correlate very well with previous drilling and especially with values from the mine workings which are immediately north of the area being drilled. Further exploration work on the property will need to be from the underground access. At this time no determination of "economic grades" or actual mining widths has been made. Previous drilling in the area of SCL-11-07 intersected multiple veins with grades to 2,659.5 g/t Ag over 0.15m (77.6 oz/t).

At this time the company is unsure if this is the same high-grade lens or one of the other numerous veins previously intersected. Silver-rich shoots in these settings usually extend for 10's of meters horizontally and vertically, pinch and swell and can mineralize the wall rock adjacent to the veins with fine native silver or argentite resulting in mining widths much wider than the vein itself. Due to this nugget effect it is difficult to intersect the mineralized lenses by diamond drilling. An analysis of the regional structures and the distribution of Silver values has been initiated by an Independent Geological Consultant with a view to identifying mineralization trends, significant structures and improving the targeting of future drill programs. This independent Consultant has collected substantial information on local properties and spent time on site reviewing work on the ground. His report is pending.

The Company also completed a drilling program on the Wilder / Duggan Property in Donovan Township. This 1,500 metre first phase drilling program was the first ever to be completed program on this property. The Company has reviewed historical trenching and sample data and believes it has targeted drilling to hit the mineralized zones. Excessive carrying costs, and a lack of exploration funds for the Wilder property led to a decision to abandon involvement even though additional exploration is warranted.

Due to our ongoing presence and high level of activity in the Elk Lake area, the Company has been approached, by various local prospectors, regarding additional properties that are available in the area. Management has reviewed these properties and will pursue such acquisitions when the economics and market conditions merit. If any properties be of quality and fit our corporate objectives and offer the potential to increase shareholder value they will be pursued in 2012. As always the Company maintains a strict focus on the potential to find and develop producing mines in all property acquisitions.

The Company does not currently derive any revenue from its operations, aside from interest revenue on short-term investments. Its ability to conduct exploration on its properties and develop properties that could prove to be economical is based on its ability to raise capital through equity financing. The Company's ability to raise capital by equity financing in the near future will be affected by the price of silver and gold and the result of the drill program on its Ontario properties the La Cumbre property.

Readers are encouraged to read the Company's public filings on SEDAR at www.sedar.com.

Financing Activities

April 1/2011 till April 30/2012
No financings
Three months ended March 31,2011

$0.06 : 4,166,666 common shares flo thru with warrant @.15 due January 13,2013
$ 0.05 : 10,800,000 common shares with warrant @ .15 due February 28,2013

Three months ended December 30, 2010

$ 0.06 : 8,333,333 common shares with half warrant @ .15 for 2 years

Three months ended September 30, 2010
The Company did not undertake any financing activities in the period

Three months ended June 30, 2010
The Company did not undertake any financing activities in the period

Three months ended March 31, 2010
The Company did not undertake any financing activities in the period

Three months ended December 31, 2009
$.09 : 4,000,000 common shares with half warrant @ .18 for two years

Three months ended September 30, 2009
The Company did not undertake any financing activities in the period

Three months ended June 30, 2009
The Company did not undertake any financing activities in the period

Three months ended March 31, 2009
The Company did not undertake any financing activities in the period.

Results of Operations

As an exploration stage company, the Company does not have operating revenue from mining operations. In the year ended December 31, 2011 the Company earned did not earn any income . (December 31, 2010 - Nil).

Operating Expenses

Operating expenses for the year ended December 31, 2011 were $370,204 compared with $366,517 for the year ended December 31, 2010. The major expenses for the period were Marketing and Investor Relations fees of $ 160,288 and Office Expenses of $ 45,151 . Royalty payments due were also accrued on the income statement in the amount of $30,000. The Company has shown remarkable constraint in maintaining operations while cutting costs.
The Company has not paid a cash dividend to its shareholders and does not anticipate paying cash dividends in the near future.

Selected Yearly Financial Data ($)
Liquidity and Capital Resources

The mineral properties of the Company are in the exploration and development stage and, as a result, the Company has no source of operating cash flow. The exploration and development of the Company's properties depends on the ability of the Company to obtain financing. If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them into commercial production. The only sources of future funds presently available to the Company are the exercise of warrants or stock options, the sale of equity capital of the Company, or the sale by the Company of an interest in any of its properties in whole or in part.

Financial Results

	Year Dec 31 2011	3rd Qtr Sept30 2011	2nd Qtr June 30 2011	1st Qtr Mar 31 2011	Year Dec 31 2010	3rd Qtr Sept 30 2010	2nd Qtr June 30 2010	1st Qtr Mar 31 2010
Net Loss	$1,351,578	$80,424	$70,185	$7,574	$224,662	$8,303	$41,350	$48,700
Basic and Diluted Loss per share	$ 0.018	$0.001	$0.001	$0.001	$0.005	$0.001	$0.001	$0.004
Balance Sheet Data								
Cash/ Equivalents	$5,494	$71,897	$293,080	$750,819	$452,765	$24,677	$146,143	$292,869
Mineral Properties	$3,39,416	$4,168,707	$4,110,482	$3,747,282	$3,631,210	$3,557,823	$3,362,570	$3,130,549
Total Assets	$3,448,527	$4,487,707	$4,653,719	$4,710,687	$4,251,570	$3,806,441	$3,697,298	$3,590,474
Shareholders Equity	$2,365,027	$3,345,055	$3,515,470	$3,586,172	$2,817,810	$2,526,983	$2,544,107	$2,600,301

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

There are warrants and unit purchase options outstanding as of December 31 , 2011 that are a potential source of financing to the Company; these are Shareholders' and Agent's Warrants. The exercise of all outstanding warrants (at April 30, 2012) would result in the injection of approximately $2,686,150 into the Company.

There are Stock Options outstanding as of April 30,2012 that may be a potential source of financing to the Company. The exercise of all outstanding Stock options would result in the injection of $ 500,000 into the Company.

As at December 31, 2011 the Company had current assets of $ 121,231 to meet current liabilities of $1,154,343. Included in current assets is cash and cash equivalents of $ 5,494.

Contractual Obligations and Commitments

.

1 The Company also has a consulting contract with Mr. Tim Towers, details noted below.

The directors and officers have fulfilled the investor relations in these times at no cost to the company.

Welsh Silver Mines Option Agreement

Pursuant to the Welsh Option Agreement, SSR optioned the Welsh Property from WSM and Robert Welsh (collectively the optionor) such that SSR can earn 100% of the optionors title and interest in the Welsh Property subject to a 2% net returns royalty. Advance Royalties of $ 30,000 per year commence in 2009. The effective date of the agreement was July 17, 2006.

SSR will exercise it's option on the Welsh Property by:

1 Paying $ 20,000 on the signing of the option agreement (paid),
2 paying a further $ 20,000 before the first anniversary date in 2007 (paid)
3 and making the final payment before July 2008. (paid)

The final payment has been made April 25, 2008. The company was required to issue 200,000 on the initial option signing, 200,000 common shares on or before the first anniversary date and 200,000 shares before the second anniversary date. All shares required have been issued.

La Cumbre Property Agreement

On June 29, 2007 the Company entered into an agreement to acquire 2 mining concessions from Hector Gonzalez Flores in Guerrero State Mexico. Under terms of the agreement the Company has acquired a 100 % interest in the Property by paying the Vendor a total of $ 68,000 USD. The Company has paid the Vendor the required amount. The Vendor has also retained a $ 1.00 USD per tonne royalty on the property for ore extracted, mined and milled.

Jaripo Property Agreement:

June 15, 2009 the Company entered into an agreement to acquire 2650 ha of mining lands in Michochan Mexico from 4 individuals (Gilberto Martinez Ramirez, Salvador Pineda Pineda, Jose Orlando Serrano Sanchez, and Magdaleno Pineda Santana,). Under terms of the agreement the Company will acquired a 100 % interest in the Property by paying $2,000.000 over three years as follows:

- $25,000 upon signing of the formal agreement (paid)
- $25,000 after 6 months
- $50,000 after 12 months
- $75,000 after 24 months
- $1,825,000 after 36 months

The company could receive a discount of $ 125,000 by paying the final payment after 24 months. No royalty interest will be retained by the vendors. Despite attempts by the company to renegotiate the deal the company has not made the final payments and has returned the property to the vendors.

Ogden Property Agreement

On June 30, 2009 the Company entered into an agreement to acquire 2 patented mining claims in Ogden Township, Ontario, from 4 individuals (Joan Tremblay, Earl Towers, Tim Towers, and Ken Towers). Under terms of the agreement the Company will acquired a 100 % interest in the Property by paying the Vendors a total of 500,000 shares, and completing $ 500,000 in exploration work on the property before June 30, 2011..The Vendors have also retained a 1.25 % royalty on the NSR from the property. The vendors have agreed to extend the terms of this agreement for an additional one year term.

Lost Dog Property Agreement

On October 29, 2009 the Company completed the agreement with Pierre Robert and Wade Kornick to acquire 36 un-patented mining claims in Denton Township, west of Timmins Ontario which form the Lost Dog Property. The Company will pay a total of Fifty Thousand ($50,000) and Seven Hundred Fifty thousand (750,000) common shares, over a two-year period for an option to acquire a 100-per-cent interest in the property. The Vendors will retain a royalty of 2 % of NSR that Silver Shield has the right to purchase 1% of at any time, for $ 1,000,000. The company has fulfilled the terms as of March 31,2012.

Consulting Agreement with Mr. Tim. D. Towers

The Company and Tim D. Towers entered into a consulting agreement (the "Towers Services Agreement") dated September 1, 2007. Pursuant to the terms of the Towers Consulting Agreement, Mr. Towers has agreed to serve as President for the Company. Mr. Towers is a shareholder, officer and director of the Company. The Towers Services Agreement provides for a monthly fee of $8,000 for up to twenty days of services during the month, and $400 for each additional day of work, to a maximum of $10,000 per month, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of services under the agreement. Mr. Towers will provide office space, furnishing and phone service for exploration staff and the company. Mr. Towers is eligible, subject to compliance with all securities and regulatory laws, rules and policies, and the discretion of the board of directors, to participate in the Stock Option Plan. Annual bonuses may also be declared at the sole option of the board of directors based on Mr. Towers' performance which, at the option of the Company, may be paid either in cash, Common Shares, options or such other form of compensation as may be determined by the board.

The Company may terminate the Towers Services Agreement without cause at will without prior written notice to Mr. Towers. If terminated without cause the Company will provide severance compensation equal to $100,000.

The initial term of the Towers Services Agreement ended on September 1, 2009, and has been extended. Mr. Towers continues to serve the company under the same terms on an accrued basis due to limited funds available .

Transactions with Related Parties

During the year ended December 31, 2011, the company had dealings with the following related parties:
The company relies on the experience and expertise of Mr. Tim Towers in his role as President and Chief Executive Officer and Director of the Company. The Company has secured his services and that of vehicle and consulting fees paid or accrued on the books of the company of $ 45,000 (Dec 2010-nil)
The Company also used the services for geological consulting and management fees of a company controlled by a shareholder and officer of the Company. In 2011 these fees amount to $53,000 (2010 –$ 24,000).
The company also used the services of a director for engineering and consulting services in the year of $ $44,250 (Dec 2010-17,991) (accrued and paid) and expenses reimbursed and accrued of $31,110(Dec 2010-6,916).
Due to limited funds the individuals have had their fees accrued in recent months but continue to serve the company.

Disclosure Controls and Procedures

Management, with the participation of the directors and Tim Towers, President, and Interim CFO have evaluated the effectiveness, as of April 30,2012, of the Company's disclosure controls and procedures (as defined by the Canadian Securities Administrators). Based on that evaluation, the certifying officers have concluded that such disclosure controls and procedures are effective to provide reasonable assurance that material information relating to the Company and its subsidiary is known to them and to others within the Company.

Critical Accounting Estimates

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as at the date of the financial statements. Each of these required estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates are deemed critical when the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. The Company's significant accounting policies are discussed in note 1 of the Notes to Consolidated Financial Statements. Critical estimates inherent in these accounting policies are discussed in the following paragraphs.

Income taxes

The Company operates in Canada. The breadth of the Company's operations and the complexity of the taxing legislation and practices require the Company to apply judgment in estimating its ultimate tax liability. The final taxes paid will depend on many factors, including the Company's interpretation of the legislation and the outcomes of audits by and negotiations with tax authorities. Ultimately, the final taxes may be adjusted based on the resolution of these uncertainties.

The Company follows the liability method of accounting for income taxes. Under this method, future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs.

Nature of Operations

The Company is an exploration company. Its mineral properties are currently being explored and the Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves (as established in accordance with NI 43-101), the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of such properties.

The Company tries to maximize its exposure to promising exploration opportunities, to manage the risks inherent in exploration and to make appropriate use of financial management resources. The Company intends to hire several employees that worked the properties in the past, hence, are familiar with the legacy workings and historic infrastructure; further, they are familiar with the historic mine data and government reports that identify some of the positive attributes of the properties. This experience and knowledge base would mitigate the risk associated with otherwise unknown properties.

Additional Funding Requirements

As discussed above, the mineral properties of the Company are in the exploration stage and, as a result, the Company has no source of operating cash flow. The Company intends to raise such additional funds to complete its projects. The Company does currently have the financial resources necessary to undertake all of its currently planned Canadian activities. At the present time the company does not have the resources to maintain its planned Mexican exploration and operations for the year 2011. The company has for the past months been diligently pursuing financing for Mexico. Certain financing initiatives have been at times potentially successful only to be terminated by circumstances beyond the companys control. However there can be no assurance that the Company will be successful in obtaining any additional required funding necessary to conduct additional exploration, if warranted, on the Company's exploration properties or to develop mineral resources on such properties, if commercially mineable quantities of such resources are located thereon.

Incentive Stock Option Plan

The Company has established a stock option plan to provide incentive compensation to the Company's directors, officers, employees and consultants (the "Stock Option Plan").
The Stock Option Plan is administered by the board of directors of the Company. Stock options may be granted at any time to any director, senior officer, key employee or other person providing services to the Company, taking into consideration his or her contribution to the success of the Company and any other factor which the board of directors of the Company may deem proper and relevant. The aggregate number of Common Shares which may be reserved for issuance pursuant to the Stock Option Plan and any other share compensation arrangements of the Company will not exceed 10% of the total number of issued and outstanding Common Shares (calculated on a non diluted basis) from time to time.

Stock options granted under the Stock Option Plan are exercisable over a period not exceeding five years, subject to earlier cancellation upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The stock options are non-assignable and non-transferable. The Stock Option Plan contains provisions for adjustment in the number of shares issuable in the event of a subdivision, consolidation, reclassification or change of the Common Shares, or a merger or other relevant changes in the Company's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Company in respect of stock options granted thereunder.

Mineral Properties and Deferred Exploration Costs

The Company defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration expenditures are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and related exploration expenditures are written off.

Dividends

The Company has not paid any dividends on its Common Shares since incorporation and does not anticipate paying any dividends on its Common Shares in the foreseeable future. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably.

Legal Proceedings

Management is not aware of any material legal proceedings, actual, contemplated or threatened to which the Company is a party or to which any of its property or assets is subject.

Forward-Looking Statements

This prospectus contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, and its projects, the exploration expenditures, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, limitations of insurance coverage and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future price of gold and silver; possible variations of ore grade or recovery rates; failure of the plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this prospectus and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances, management's estimates or opinions should change, except as required by securities legislation. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Financial Instruments

The balance sheet carrying amounts for cash, GST recoverable, subscription receivable, prepaid expenses, deferred financing fees, accounts payable and accruals approximate fair value due to their short-term nature.

Share Data

As at December 31, 2011 the Company has 71,458,791 common shares outstanding, as well as:

(a) Shareholder warrants to purchase an aggregate of 17,051,666 common shares expiring between December 2012 and February 2013 and exercisable at $0.15 per share;
(b) Agent warrants to purchase an aggregate of 853,600 common shares expiring between Janusry 31,2013 and February 28,2013 at a price of $0.15 per share.
(c) Stock Options issued under the Company's Stock Option Plan: 5,000,000

On a fully diluted basis, therefore, the Company has 94,366,457 common shares outstanding.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.