GREAT PANTHER SILVER LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2011 and 2010

Expressed in Canadian Dollars

MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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.

GREAT PANTHER SILVER LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Thousands of Canadian Dollars, except shares data)
June 30, 2011 and December 31, 2010 (Unaudited)

	June 30, 2011	December 31, 2010	January 1, 2010
		(Note 14)	(Note 14)
Assets			
Current assets:			
Cash and cash equivalents	$ 36,760	$ 13,967	$ 13,312
Restricted cash	106	151	-
Investments	97	200	23
Trade and other receivables (note 4)	11,390	9,635	5,539
Income taxes recoverable	260	239	342
Inventories (note 5)	6,443	2,615	1,438
Prepaid expenses, deposits and advances	2,091	1,240	1,585
	57,147	28,047	22,239
Non-current assets:			
Mineral properties, plant and equipment	34,347	27,277	19,212
Intangible assets	444	127	102
	34,791	27,404	19,314
	$ 91,938	$ 55,451	$ 41,553
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables, including derivatives	$ 4,811	$ 4,758	$ 2,631
Capital lease obligations (note 11)	261	369	801
Promissory notes (note 6(a))	-	373	122
Convertible loan notes (note 6(b))	-	3,716	-
Current tax liability	128	19	27
	5,200	9,235	3,581
Non-current liabilities:			
Capital lease obligations (note 11)	12	128	63
Promissory notes (note 6(a))	-	77	118
Convertible loan notes (note 6(b))	-	-	3,103
Reclamation and remediation provision	1,905	1,955	2,086
Deferred tax liability	-	-	2,162
	1,917	2,160	7,532
Shareholders' equity:			
Share capital (note 7)	116,303	83,470	75,910
Reserves	6,029	7,607	12,211
Deficit	(37,511)	(47,021)	(57,681)
	84,821	44,056	30,440
Nature of operations (note 1)			
Commitments and contingencies (note 11)			
Subsequent events (note 13)			
	$ 91,938	$ 55,451	$ 41,553

See accompanying notes to unaudited condensed consolidated interim financial statements.

GREAT PANTHER SILVER LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in Thousands of Canadian Dollars, except shares data)

For the three and six months ended June 30, 2011 and 2010 (Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
		(Note 14)		(Note 14)
Revenue	$ 8,560	$ 9,317	$ 24,020	$ 17,232
Cost of sales:				
Cost of sales	4,193	5,029	10,024	9,434
Amortization and depletion of mineral properties, plant and equipment	416	863	1,432	1,857
	4,609	5,892	11,456	11,291
Gross profit	3,951	3,425	12,564	5,941
General and administrative expenses (note 8)	1,575	1,282	3,371	2,619
Income (expenses):				
Interest income	107	22	161	43
Finance costs (note 9)	(24)	(273)	(291)	(522)
Foreign exchange gain (loss)	176	(571)	645	403
Other income (expense)	9	(1)	24	(1)
	268	(823)	539	(77)
Income before income taxes	2,644	1,320	9,732	3,245
Income tax recovery (expense):				
Current income tax recovery (expense)	(143)	(75)	(222)	(98)
Deferred income tax recovery	-	3,123	-	2,198
	(143)	3,048	(222)	2,100
Income for the period	2,501	4,368	9,510	5,345
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	(798)	352	(498)	(3,653)
Net change in fair value of available-for-sale financial assets	(28)	(109)	(106)	(107)
	(826)	243	(604)	(3,760)
Comprehensive income for the period	$ 1,675	$ 4,611	$ 8,906	$ 1,585
Earnings per share				
Basic	$ 0.02	$ 0.04	$ 0.08	$ 0.05
Diluted	$ 0.02	$ 0.04	$ 0.07	$ 0.05
Weighted average number of common shares				
Basic (note 7(e))	130,940,892	113,587,389	126,539,533	113,332,904
Diluted (note 7(e))	136,311,428	115,635,935	132,788,357	115,590,435

See accompanying notes to unaudited condensed consolidated interim financial statements.

GREAT PANTHER SILVER LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Thousands of Canadian Dollars, except shares data)

For the six months ended June 30, 2011 and 2010 (Unaudited)

	Share Capital		Reserves					Deficit	Total shareholders' equity
	Number of shares	Amount	Share option	Foreign currency translation	Convertible loan notes	Fair Value	Total		
Balance at January 1, 2010	111,239,631	$ 75,910	$ 10,268	$ -	$ 1,966	$ (23)	$ 12,211	$ (57,681)	$ 30,440
Warrants exercised	1,288,256	483	(9)	-	-	-	(9)	-	474
Stock options exercised	1,109,825	745	(220)	-	-	-	(220)	-	525
Share issuance cost	-	(32)	-	-	-	-	-	-	(32)
Share-based payments	-	-	16	-	-	-	16	-	16
Comprehensive income for the period	-	-	-	(3,653)	-	(107)	(3,760)	5,345	1,585
Balance at June 30, 2010	113,637,712	$ 77,106	$ 10,055	$ (3,653)	$ 1,966	$ (130)	$ 8,238	$ (52,336)	$ 33,008
Balance at January 1, 2011	119,913,766	$ 83,470	$ 9,470	$ (3,796)	$ 1,966	$ (33)	$ 7,607	$ (47,021)	$ 44,056
Warrants exercised (note 7(d))	3,946,742	3,611	(59)	-	-	-	(59)	-	3,552
Stock options exercised (note 7(c))	2,524,500	3,056	(1,142)	-	-	-	(1,142)	-	1,914
Extinguishment of convertible loan notes (note 6(b))	1,800,000	4,050	1,809	-	(1,966)	-	(157)	-	3,893
Short form prospectus financing	5,750,000	22,116	384	-	-	-	384	-	22,500
Comprehensive income for the period	-	-	-	(498)	-	(106)	(604)	9,510	8,906
Balance at June 30, 2011	133,935,008	$ 116,303	$ 10,462	$ (4,294)	$ -	$ (139)	$ 6,029	$ (37,511)	$ 84,821

See accompanying notes to unaudited condensed consolidated interim financial statements.

GREAT PANTHER SILVER LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Thousands of Canadian Dollars, except share data)

For the three and six months ended June 30, 2011 and 2010 (Unaudited)

	Three months ended June 30, 2011	Three months ended June 30, 2010 (Note 14)	Six months ended June 30, 2011	Six months ended June 30, 2010 (Note 14)
Cash flows provided by (used in) operating activities:				
Income for the period	$ 2,501	$ 4,368	$ 9,510	$ 5,345
Items not involving cash:				
Amortization and depletion of mineral properties, plant and equipment	448	877	1,490	1,882
Foreign exchange (gains) losses	103	84	95	112
Deferred tax liability	-	(3,123)	-	(2,197)
Accretion on reclamation and remediation provision (note 9)	13	13	23	23
Share-based payments (note 8)	-	16	-	16
Interest accretion on convertible loan notes (note 9)	-	229	239	444
Loss (gain) on disposal of capital assets	-	1	-	1
Shares received for mineral property and capital expenditures	-	(23)	-	(23)
	3,065	2,442	11,357	5,603
Changes in non-cash operating working capital:				
Trade and other receivables	2,768	2,770	(1,755)	(1,549)
Income taxes recoverable	(3)	148	(21)	123
Inventories	(3,096)	51	(3,871)	(811)
Prepaid expenses, deposits and advances	123	(136)	(875)	(265)
Trade and other payables, including derivatives	(748)	211	(31)	530
Current tax liability	60	52	109	57
Net cash provided by operating activities	2,169	5,538	4,913	3,688
Cash flows used in investing activities:				
Intangible assets	(298)	(21)	(343)	(22)
Mineral properties and capital expenditures	(4,740)	(3,538)	(8,994)	(6,243)
Restricted cash	(9)	-	45	-
Net cash used in investing activities	(5,047)	(3,559)	(9,292)	(6,265)
Cash flows from financing activities:				
Repayment of capital lease obligations (note 11)	(74)	(261)	(210)	(447)
Repayment of promissory notes (note 6(a))	(355)	(102)	(448)	(122)
Repayment of convertible loan notes (note 6(b))	-	(81)	(61)	(162)
Proceeds from exercise of options (note 7(c))	522	145	1,914	526
Proceeds from exercise of warrants (note 7(d))	1,971	-	3,552	473
Issuance of shares for cash, net of issue costs	22,500	-	22,500	(32)
Net cash provided by (used in) financing activities	24,564	(299)	27,247	236
Effect of exchange rate changes on cash and cash equivalents	(92)	(47)	(75)	(88)
Increase (decrease) in cash and cash equivalents	21,594	1,633	22,793	(2,429)
Cash and cash equivalents, beginning of period	15,166	9,250	13,967	13,312
Cash and cash equivalent, end of period	$ 36,760	$ 10,883	$ 36,760	$ 10,883

See accompanying notes to unaudited condensed consolidated interim financial statements.

1. Nature of operations

Great Panther Silver Limited (the "Company") was continued under the Business Corporations Act (Yukon) on March 22, 1996 and continued under the Business Corporations Act (British Columbia) on July 9, 2004. On October 2, 2003, the Company changed its name from Great Panther Inc. to Great Panther Resources Limited and the common shares were consolidated whereby ten common shares were exchanged for one new common share. On December 17, 2009, the Company's shareholders approved changing the Company's name from Great Panther Resources Limited to Great Panther Silver Limited which became effective as of January 1, 2010. No change to the Company's capital structure was involved and the common shares of the Company trade on the main board of the Toronto Stock Exchange under the symbol "GPR." On February 8, 2011, the Company's shares were listed on NYSE Amex stock exchange in the United States under the trading symbol "GPL".

The Company is in the business of acquisition, development, exploration, and operation of mineral properties and mines in Mexico. Among the properties in which the Company has interests, the Topia and Guanajuato mines are in production. The Company's other mineral property interests are in the exploration stage and it has not yet been determined as to whether these properties contain ore reserves that are economically viable. Costs associated with these exploration stage properties for which a National Instrument 43-101 ("NI 43-101") compliant mineral resource estimate has not been established are expensed.

These financial statements have been prepared by management on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the current exploration and development programs will result in the discovery and development of economic ore reserves.

2. Basis of presentation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34*, Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Reconciliations between the Company's previously reported statement of financial position, statement of comprehensive income (loss), and statement of cash flow under Canadian generally accepted accounting principles ("GAAP") and those reported under IFRS are presented in note 14.

These condensed consolidated interim financial statements were approved by the Board of directors on August 10, 2011.

(b) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, New Age Investments Inc., Minera Mexicana el Rosario, S.A. de C.V., Metalicos

2. Basis of presentation (continued)

de Durango, S.A. de C.V., and Minera de Villa Seca, S.A. de C.V. All inter-company balances and transactions are eliminated on consolidation.

(c) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

(d) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars which is the Company's presentation currency and functional currency. The functional currency of its Mexican subsidiaries is the Mexican peso and these subsidiaries have been translated to the Canadian dollar in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the exchange rate at the dates of the transactions. All resulting exchange differences are reported as a separate component of shareholders' equity titled "Foreign currency translation reserve".

Prior to January 1, 2010, the functional currency of the Company's Mexican subsidiaries was the Canadian dollar. Therefore, no amounts were recorded in the foreign currency translation reserve prior to January 1 2010.

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and non-monetary assets and liabilities are translated at historical rates. Foreign currency gains and losses arising from translation are included in profit or loss.

(e) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assessment for impairment and useful life of mineral properties, plant and equipment, reclamation and remediation provision, valuation of trade and other receivables, current and deferred income tax liabilities, assumptions used in determining the fair value of non-cash share-based payments, and the fair value of the liability component of convertible loan notes. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by the Company's entities.

(a) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash. Short term investments have maturity dates of three months or less from the date of purchase, or they are redeemable prior to maturity.

(b) Inventories

Inventories consist of ore stockpiles and concentrate inventories which are valued at the lower of weighted average cost and net realizable value. Costs include all direct production costs and fixed overhead. Materials and supplies inventory, which includes the cost of consumables used in operations such as fuel, grinding media, chemicals and spare parts, are stated at the lower of average cost and replacement cost. Major spare parts and standby equipment are included in property, plant, and equipment when they are expected to be used during more than one period and if they can only be used in connection with an item of property, plant, and equipment. Silver bullion, to be minted and sold as coins and bars, are recorded at lower of cost and net realizable value.

(c) Exploration and evaluation expenses

Exploration and evaluation expenses incurred on grassroots projects and on new mineral properties are expensed to the statement of comprehensive profit or loss as incurred. Examples of such costs include: acquisition rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; sampling; and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

(d) Mineral properties, plant and equipment

When a resource estimate has been established through a NI 43-101 compliant resource estimate and management has made a decision to proceed with development, costs incurred for activities directed at obtaining additional information on the ore body are capitalized as mine development costs. All option payments and acquisition costs are capitalized.

Capitalized mine development costs incurred on mineral properties where there is no commercial production are not depreciated.

Once commercial production has commenced, mine development costs, production facilities and equipment are depreciated using the units-of-production method, if sufficient reserve information is available, or the straight-line method over their estimated useful lives, not to exceed the life of the mine to which the assets relate. As at June 30, 2011, the Company did not have a reliable estimate of reserves and therefore did not use the units-of-production method.

3. Significant accounting policies (continued)

Effective December 31, 2010, the Company extended the Guanajuato mine life from 3 years to 5 years and retained Topia's mine life at 10 years. Management's estimate of expected remaining mine life is based upon available internal and external estimated resource information, historical production and recovery levels, planned future production and recovery levels, and other factors. Changes in mine life are recognized prospectively.

Maintenance and repairs are charged to operations as incurred. When assets are retired or sold, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in operations.

Capital assets held at the parent company are recorded at cost less accumulated depreciation, calculated using the following basis:

Computer equipment	straight-line over the estimated useful life
Furniture and fixtures	straight-line over the estimated useful life
Office equipment	straight-line over the estimated useful life
Leasehold improvements	straight-line over the term of the lease

(e) Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognized in the Company's statement of financial position.

(f) Intangible assets

Intangible assets that are acquired by the Company, which includes computer software, are stated at cost less accumulated amortization and impairment losses. Amortization is recorded in general and administrative in the statement of comprehensive income on a straight line basis over the estimated useful lives of the intangible assets. The estimated useful life for the computer software is 3 years.

(g) Impairment of long-lived assets

The Company's long-lived assets are reviewed for an indication of impairment at each financial reporting date or at any time if an indicator of impairment is considered to exist. If any such indication exists an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs to sell and value in use. If the asset's carrying amount exceeds its recoverable amount then an impairment loss is recognized in profit or loss for the period.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects.

3. Significant accounting policies (continued)

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Non-financial assets other than goodwill that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. When a reversal of a previous impairment is recorded, the reversal amount is adjusted for depreciation that would have been recorded had the impairment not taken place.

(h) Share-based payments

Equity-settled share-based payment arrangements such as the Company's stock option plan are measured at fair value at the date of grant and recorded within equity. The fair value at grant date of all share-based payments is recognized as compensation expense over the vesting period, with a corresponding credit to shareholders' equity. The Company estimates the fair value of stock options granted using the Black-Scholes option pricing model. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is reversed in the period the forfeiture occurs.

(i) Revenue recognition

The Company recognizes revenue from the sale of concentrates upon delivery when it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership are transferred to the customer and the revenue can be reliably measured. This is generally the shipment date. Revenue is based on market metal prices and mineral content. Revenue is recorded in the consolidated statements of comprehensive income net of treatment and refining costs paid to counter-parties under terms of the off-take arrangements. Revenue from the sale of the concentrates is subject to adjustment upon final settlement based upon metal prices, weights and assays. For each reporting period until final settlement, estimates of metal prices are used to record sales using forward metal prices based upon the expected final settlement date. Variations between the sales price recorded at the shipment date and the actual final sales price at the settlement date caused by changes in the market metal prices results in an embedded derivative in the related trade and other receivables balance. The embedded derivative is recorded at fair value each period until final settlement occurs with changes in fair value classified as a component of revenue.

3. Significant accounting policies (continued)

(j) Reserve estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 Standards for Disclosure of Mineral Projects. Reserves are used in the calculation of depreciation and amortization, impairment assessment, assessment of life of mine stripping ratios, determination of exploration and evaluation assets, and for forecasting the timing of payment of rehabilitation costs. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves and resources being adjusted.

(k) Reclamation and remediation provision

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes the cost of future reclamation and remediation as a liability in the period in which it incurs a legal or constructive obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the asset, if a reasonable estimate of the obligation can be made. The liability is measured initially by discounting such costs to the net present value using pre-tax rates and risk assumptions specific to the liability and the resulting cost capitalized to the carrying value of the related assets. In subsequent periods, the liability is adjusted for accretion of the discount with the offsetting amount charged to profit or loss as a finance cost, and any change in the amount or timing of the underlying cash flows with the offsetting amount recorded as an adjustment to the reclamation and remediation provision cost included in mineral properties. The reclamation and remediation provision cost is depreciated over the remaining life of the assets.

It is reasonably possible that the ultimate cost of remediation and reclamation could change in the future due to uncertainties associated with defining the nature and extent of environmental contamination, the application of laws and regulations by regulatory authorities, changes in remediation technology and changes in discount rates. The Company reviews its reclamation and remediation provision at least annually and as evidence becomes available indicating that its remediation and reclamation liabilities may have changed. Any such changes in costs could materially impact the future amounts charged to operations for reclamation and remediation obligations.

Changes in the reclamation and remediation provision subsequent to the related asset reaching the end of its useful life and any excess of actual reclamation and remediation costs over the amount of initially estimated reclamation and remediation provision should be recognized in the statement of comprehensive income.

3. Significant accounting policies (continued)

(l) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, investments, trade and other receivables, trade and other payables, including derivatives, promissory notes and convertible loan notes. These financial instruments are classified as either financial assets at fair value through profit or loss, available-for-sale, held-to-maturity, loans and receivables, financial liabilities at fair value through profit or loss or financial liabilities at amortized cost. Management determines their classification at initial recognition.

Transaction costs are expensed as incurred for financial instruments classified as financial assets at fair value through profit or loss. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost, which includes loans and receivables and financial liabilities at amortized cost.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading in the near future or is designated as such upon initial recognition. The Company's cash and cash equivalents are classified as fair value through profit or loss for the period. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any other financial asset categories. The Company's investments are classified as available-for-sale and are initially and subsequently recorded at fair value. Changes in fair value, other than impairment losses are recognized in other comprehensive income and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's trade and other receivables are classified as loans and receivables and are initially measured at fair value and subsequently measured at amortized cost less any impairment.

Financial liabilities at fair value through profit or loss

A financial liability is classified at fair value through profit or loss if it is classified as held for trading in the near future or is designated as such upon initial recognition. The Company's derivative liabilities are classified as fair value through profit or loss for the period. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period. In the case of cash flow hedge transactions, they would qualify for hedge accounting treatment and gains and losses would be recognized in other comprehensive income. The Company has elected not to apply hedge accounting to these instruments.

3. Significant accounting policies (continued)

Financial liabilities at amortized cost

Financial liabilities at amortized cost are non-derivative financial liabilities that are not classified as financial liabilities at fair value through profit or loss. The Company's trade and other payables, including derivatives, promissory notes, and convertible loan notes are classified as financial liabilities at amortized cost and are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Compound financial instruments

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognized in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognized on conversion.

Impairment of financial instruments

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired using the following criteria:

- For available-for-sale financial assets, an impairment loss is established when there is a significant or prolonged decline in fair value of the investment or when there is objective evidence that the carrying amount of the investment may not be recovered. The amount of the impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Any amounts related to that asset are removed from losses accumulated in the fair value reserve recognized in shareholders' equity and are included in profit or loss. Reversals in respect of available-for-sale financial assets are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in shareholders' equity.

3. Significant accounting policies (continued)

- For loans and receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of provision account and the amount of the loss is recognized in the statement of comprehensive income within general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of comprehensive income.

(m) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized directly in equity.

Deferred tax is provided using the statement of financial position method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and tax loss carry forwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of deferred tax assets recognized is limited to the amount that is, in management's estimation, probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should "in-the-money" options and warrants be exercised and the proceeds be used to repurchase common shares at the average market price in the year. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after-tax interest expense.

(Expressed in Thousands of Canadian Dollars, except share data)

3. Significant accounting policies (continued)

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options or warrants were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

(o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's senior management to make decisions about resource to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The Company has determined the operating segments based on this information.

Segment results that are reported to senior management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate office expenses.

4. Trade and other receivables

	June 30, 2011	December 31, 2010	January 1, 2010
Trade accounts receivable	$ 7,505	$ 5,151	$ 3,472
Value added tax recoverable	3,826	4,399	2,024
Other	291	317	251
	11,622	9,867	5,747
Allowance for doubtful amounts	(232)	(232)	(208)
	$ 11,390	$ 9,635	$ 5,539

The Company, through its Mexican subsidiaries, previously paid value added tax on the purchase and sale of goods and services at a rate of 16%. The net amount paid or payable is recoverable, but such recovery is subject to review and assessment by local tax authorities.

(Expressed in Thousands of Canadian Dollars, except share data)

5. Inventories

		June 30, 2011		December 31, 2010		January 1, 2010
Finished product	$	5,081	$	831	$	410
Ore stockpile		96		370		80
Materials and supplies		1,152		993		681
Silver bullion		114		421		267
	$	6,443	$	2,615	$	1,438

The amount of inventory recognized as an expense for the six months ended June 30, 2011 and the year ended December 31, 2010 is included in cost of sales.

6. Long-term debt

(a) Promissory notes:

During the year ended December 31, 2010, the Company purchased equipment under the terms of two promissory notes requiring equal blended monthly payments of $11 for 24 months, commencing on the first day of the month after delivery of the equipment. The promissory notes bear interest at 6% per annum, compounded and calculated semi-annually and are secured by the equipment. On April 29, 2011, the Company extinguished its promissory notes relating to equipment purchase and the remaining accrued interest was paid in cash. The total interest paid on the promissory notes for the six months ended June 30, 2011 was $8 (2010 - $12).

(b) Convertible loan notes:

On July 13, 2007, the Company completed financing agreements for cash proceeds of $4,050. The financing consisted of two 8% per annum unsecured convertible notes maturing July 14, 2011, convertible into common shares of the Company at a price of $2.25 per share at the holders' option at any time. On issuance, the fair value of the liability component of the convertible note was $2,084. The assumptions used in the valuation model were a risk-free interest rate of 4.7%, volatility of 57.9%, dividends paid of 0.0%, and an expected life of the option of 4 years. Interest accreted on the notes payable during the six months ended June 30, 2011 was $239 (2010 - $444).

The fair value of the conversion feature has been recorded in liability, reducing the amount assigned to the equity component. The debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented in convertible loan notes reserves as a separate component of shareholders' equity.

On March 8, 2011, the Company paid off the two convertible notes by issuing 1,800,000 fully paid common shares of the Company at the conversion price of $2.25 per common share.

7. Share capital

(a) Authorized:

Unlimited number of common shares without par value

Unlimited number of Class A preferred shares without par value, issuable in series

Unlimited number of Class B preferred shares without par value, issuable in series

(b) Issued and fully paid:

Common shares: 133,935,008 (December 31, 2010 – 119,913,766)

Preferred shares: Nil (2010 – Nil)

(c) Stock options:

The Company, in accordance with the policies of the Toronto Stock Exchange (the "Exchange"), is authorized to grant incentive stock options ("options") to officers, directors, employees and consultants as incentive for their services, subject to limits with respect to insiders. Pursuant to the Company's Amended and Restated Incentive Share Option Plan (2007) (the "2007 Plan"), options are non-transferable, subject to permitted transferees, and the aggregate may not exceed 10% of the outstanding issue at the time of an option grant and the aggregate to any one person may not exceed 5% of the outstanding issue. The exercise price of options is determined by the board of directors but shall not be less than the closing price of the common shares on the Exchange on the last business day immediately preceding the date of grant.

Options have expiry dates of no later than 10 years after the date of grant and will cease to be exercisable 30 days following the termination of the participant's employment or engagement. Vesting of options is generally at the time of grant.

The 2007 Plan allows a participant the right, when entitled to exercise an option, to terminate the option and in lieu of receiving common shares pursuant to the exercise of the option, receive at no cost to the participant, that number of common shares which when multiplied by the closing price of the common shares on the day immediately prior to the exercise, have a total value equal to the product of that number of common shares subject to the option multiplied by the difference between the closing price on the day immediately prior to the exercise of the right and the option exercise price. For the six months ended June 30, 2011, nil (December 31, 2010 – nil) common shares were issued upon cashless exercises.

(Expressed in Thousands of Canadian Dollars, except share data)

7. Share capital (continued)

The continuity of common stock options for the six months ended June 30, 2011 is as follows:

Exercise Price	Expiry date	Balance December 31, 2010	Granted	Cancelled	Expired	Exercised	Balance June 30, 2011
0.90	January 5, 2011	125,000	-	-	-	(125,000)	-
0.45	February 8, 2014	1,988,000	-	-	-	(952,000)	1,036,000
0.45	February 29, 2012	160,000	-	-	-	(160,000)	-
0.52	March 25, 2011	200,000	-	-	-	(200,000)	-
0.70	September 3, 2014	965,000	-	-	-	(475,000)	490,000
0.90	February 29, 2012	90,000	-	-	-	-	90,000
0.90	December 2, 2014	337,500	-	-	-	(137,500)	200,000
0.90	July 11, 2015	245,000	-	-	-	(121,500)	123,500
1.15	October 17, 2015	105,000	-	-	-	(53,500)	51,500
1.90	November 21, 2015	415,000	-	-	-	(300,000)	115,000
		4,630,500	-	-	-	(2,524,500)	2,106,000
Weighted average exercise price		$ 0.73	-	-	-	$ 0.76	$0.69

As at June 30, 2011, all share options are fully vested. The weighted average remaining contractual life of the options outstanding as at June 30, 2011 is 2.96 years.

The continuity of common stock options for 2010 is as follows:

Exercise Price	Expiry date	Balance January 31, 2010	Granted	Cancelled	Expired	Exercised	Balance December 31, 2010
0.45	February 27, 2010	125,000	-	-	-	(125,000)	-
0.45	July 26, 2010	400,000	-	-	-	(400,000)	-
0.90	January 5, 2011	830,000	-	-	-	(705,000)	125,000
0.45	February 8, 2014	3,944,125	-	-	-	(1,956,125)	1,988,000
0.45	February 29, 2012	160,000	-	-	-	-	160,000
0.52	March 25, 2011	310,000	-	-	-	(110,000)	200,000
0.70	September 3, 2014	1,290,000	-	-	-	(325,000)	965,000
0.90	December 3, 2010	185,000	-	-	-	(185,000)	-
0.90	February 29, 2012	90,000	-	-	-	-	90,000
0.90	December 2, 2014	580,000	-	-	-	(242,500)	337,500
0.90	July 11, 2015	-	670,000	(65,000)	-	(360,000)	245,000
1.15	October 17, 2015	-	240,000	(25,000)	-	(110,000)	105,000
1.90	November 21, 2015	-	415,000	-	-	-	415,000
		7,914,125	1,325,000	(90,000)	-	(4,518,625)	4,630,500
Weighted average exercise price		$ 0.59	$1.24	$0.93	-	$0.64	$0.73

As at December 31, 2010, all share options are fully vested. The weighted average remaining contractual life of the options outstanding as at December 31, 2010 is 3.25 years.

(Expressed in Thousands of Canadian Dollars, except share data)

(d) Warrants:

The continuity of warrants for the six months ended June 30, 2011 is as follows:

Series	Exercise price	Expiry date	Balance December 31, 2010	Issued	Exercised	Expired	Balance June 30, 2011
SFPO Warrants	0.90	November 17, 2011	6,315,650	-	(3,811,900)	-	2,503,750
Agent Warrants	0.90	November 17, 2011	548,996	-	(134,842)	-	414,154
Underwriters’	4.20	April 12, 2013	-	316,250	-	-	316,250
			6,864,646	316,250	(3,946,742)	-	3,234,154

The continuity of warrants for 2010 is as follows:

Series	Exercise price	Expiry date	Balance January 31, 2010	Issued	Exercised	Expired	Balance December 31, 2010
Series “L” Warrants	0.35	January 22, 2010	1,177,500	-	(1,177,500)	-	-
SFPO Warrants	0.90	November 17, 2011	8,808,750	-	(2,493,100)	-	6,315,650
Finder’s Warrants	0.35	January 22, 2010	70,756	-	(70,756)	-	-
Agent Warrants	0.90	November 17, 2011	963,150	-	(414,154)	-	548,996
			11,020,156	-	(4,155,510)	-	6,864,646

(e) Diluted earnings per share:

Diluted earnings per share are calculated based on the following weighted average number of shares outstanding:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Basic weighted average number of shares outstanding	130,940,892	113,587,389	126,539,533	113,332,904
Effect of dilutive securities				
Stock options	1,795,804	2,048,546	2,316,412	2,212,338
Warrants	3,574,732	-	3,932,412	45,193
Diluted weighted average number of shares outstanding	136,311,428	115,635,935	132,788,357	115,590,435

(Expressed in Thousands of Canadian Dollars, except share data)

7. Share capital (continued)

For the three and six months ended June 30, 2010, there were 5,370,536 and 6,248,824, respectively, potentially dilutive shares included in the diluted earnings per share calculation for the periods presented. The exercise price of the potentially dilutive shares was less than the average market value of the common shares of $3.28 and $3.21 for the same periods ended June 30, 2011.

8. General and administrative expenses

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
General and administrative	$ 1,543	$ 1,259	$ 3,313	$ 2,592
Amortization and depreciation	32	13	58	24
Share-based payments	-	16	-	16
Mineral property exploration expenditures (recovery)	-	(6)	-	(13)
	$ 1,575	$ 1,282	$ 3,371	$ 2,619

9. Finance costs

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Interest accretion on convertible loan notes	$ -	$ 229	$ 239	$ 444
Interest expense	8	5	8	12
Lease interest	3	26	21	43
Accretion on reclamation and remediation provision	13	13	23	23
	$ 24	$ 273	$ 291	$ 522

10. Related party transactions

The Company entered into the following transactions with related parties:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Consulting fees paid or accrued to companies controlled by directors of the Company	$ 188	$ 150	$ 367	$ 277
Consulting fees paid or accrued to companies controlled by officers of the Company	$ 39	$ 22	$ 93	$ 96
Director fees paid or accrued to companies controlled by directors of the Company	$ -	$ 18	$ -	$ 35
Cost recoveries received or accrued from a company with a common director of the Company	$ -	$ 16	$ -	$ 51
Office and administration fees paid or accrued to a company controlled by a director of the Company	$ 21	$ 21	$ 43	$ 44

(Expressed in Thousands of Canadian Dollars, except share data)

10. Related party translations (continued)

As at June 30, 2011, $59 (December 31, 2010 - $167) was due to companies controlled by officers and directors of the Company and was included in trade and other payables, including derivatives. Amounts due from companies with common directors were $126 (December 31, 2010 - $75) and were included in trade and other receivables.

The above transactions occurred in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the parties.

11. Commitments and contingencies

As of June 30, 2011 the Company had the following commitments:

	Total	Less than 1 year	2-3 years	4-5 years
Laboratory, equipment maintenance and drilling services	$ 3,321	$ 3,321	$ -	$ -
Operating lease payments	316	148	168	-
Equipment purchases with third party vendors[1]	481	481	-	-
Capital leases[2]	273	261	12	-
Environmental program[3]	350	350	-	-
Consulting	53	53	-	-
Total commitments	$ 4,794	$ 4,614	$ 180	$ -

[1]The Company expects to fulfill these capital expenditure commitments in fiscal 2011.

[2]The Company acquired equipment through capital leases that bear interest at annual rate of 10.74%. Of the total commitment $15 represents interest and the current and non-current portions of the remaining amount are $261 and $12, respectively.

[3]On February 17, 2009, the Company committed to implementing an environmental program as a result of participating in a voluntary audit to ensure compliance with regulations governing the protection of the environment in Mexico.

The Company is committed to making severance payments amounting to approximately $2,765 to certain officers and management in the event that there is a change of control of the Company.

(Expressed in Thousands of Canadian Dollars, except share data)

12. Operating segments

The Company's operations are all within the mining sector, consisting of two operating segments both of which are located in Mexico and one corporate segment located in Canada. Due to diversities in geography and production processes, the Company operates the Guanajuato and Topia mines separately, with separate budgeting and evaluation of results of operations and exploration activities. The Corporate segment provides financial, human resources and technical support to the two mining operations. The Guanajuato operations produce silver and gold, and Topia operations produce silver, gold, lead and zinc.

	Three months ended June 30, 2011						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 4,066	$ 4,494	$ -	$ -	$ 8,560	$ -	$ 8,560
Income (loss) before income taxes	2,326	1,721	(119)	(215)	3,713	(1,069)	2,644
Total assets	$ 27,062	$ 16,708	$ -	$ 4,767	$ 48,537	$ 43,401	$ 91,938

	Three months ended June 30, 2010						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 6,183	$ 3,134	$ -	$ -	$ 9,317	$ -	$ 9,317
Income (loss) before income taxes	2,560	784	6	(775)	2,575	(1,255)	1,320
Total assets	$ 16,014	$ 12,998	$ 69	$ 5,998	$ 35,079	$ 9,066	$ 44,145

	Six months ended June 30, 2011						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 14,750	$ 9,270	$ -	$ -	$ 24,020	$ -	$ 24,020
Income (loss) before income taxes	8,793	3,964	(119)	(262)	12,376	(2,644)	9,732
Total assets	$ 27,062	$ 16,708	$ -	$ 4,767	$ 48,537	$ 43,401	$ 91,938

	Six months ended June 30, 2010						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 11,345	$ 5,887	$ -	$ -	$ 17,232	$ -	$ 17,232
Income (loss) before income taxes	4,202	1,725	13	(103)	5,837	(2,592)	3,245
Total assets	$ 16,014	$ 12,998	$ 69	$ 5,998	$ 35,079	$ 9,066	$ 44,145

(Expressed in Thousands of Canadian Dollars, except share data)

12. Operating segments (continued)

Product Revenue:

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Silver	$ 6,675	$ 7,180	$ 19,771	$ 12,860
Gold	1,344	1,566	3,528	3,222
Lead	484	511	996	1,078
Zinc	472	409	994	751
Copper	-	-	7	-
Ore processing revenues	204	155	350	283
Smelter and refining charges	(619)	(504)	(1,626)	(962)
	$ 8,560	$ 9,317	$ 24,020	$ 17,232

For the six months ended June 30, 2011, the Company had two customers that accounted for 99% of total revenues. Of the total trade accounts receivable balance of $7,505 as at June 30, 2011, 100% relates to these two customers (note 4). The Guanajuato and Topia segments each had one customer account for 62% and 37% of total revenue, respectively.

13. Subsequent event

On July 18, 2011, the Company announced the acquisition of four mining concessions in Guanajuato, Mexico for $1,500 USD with 50% payable on signing of the purchase agreement and 50% on the registration of the contract with the Mexican government.

14. Transition to IFRS

An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

The accounting policies in note 2 have been applied in preparing the consolidated interim financial statements for the six months ended June 30, 2011, the comparative information for the six months ended June 30, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the transition date, being January 1, 2010.

In preparing the consolidated interim financial statements for the six months ended June 30, 2011, comparative information for the six months ended June 30, 2010 and financial statements for the year ended December 31, 2010, have been adjusted from amounts reported previously in the financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's statement of financial position, statement of comprehensive income (loss) and statement of cash flow is set out below.

The guidance for the first time adoption of IFRS is set out in IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to apply the following optional exemptions:

- IFRS 3, *Business Combinations,* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before January 1, 2010.

- IFRS 2, *Share-Based Payments*, has not been applied to equity instruments granted after November 7, 2002 which had vested as of the transition date.

- The Company has applied the transitional provision in IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, and has assessed all arrangements as at the date of transition.

- IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, has not been applied to decommissioning liabilities included in mineral properties, plant and equipment that occurred before the transition date to IFRS. In accordance with this IFRS 1 optional exemption, decommissioning and restoration liabilities of the Company are measured at the transition date under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and the amount to be included in the cost of the related asset is estimated by discounting the liabilities to the date at which the liabilities first arose. The Company did this using the best estimate of the historical risk-adjusted discount rates that would have applied for that liability in the intervening period, and recalculating the accumulated depreciation using the depreciation policy adopted by the Company in accordance with IFRS.

(Expressed in Thousands of Canadian Dollars, except share data)

Reconciliation of assets, liabilities and shareholders' equity

		As at January 1, 2010			As at June 30, 2010			As at December 31, 2010		
	Note	GAAP	Effect of transition	IFRS	GAAP	Effect of transition	IFRS	GAAP	Effect of transition	IFRS
Assets										
Current assets:										
Cash and cash equivalents		$ 13,312	$ -	$ 13,312	$ 10,883	$ -	$ 10,883	$ 13,967	$ -	$ 13,967
Restricted cash		-	-	-	-	-	-	151	-	151
Investments		23	-	23	106	-	106	200	-	200
Trade and other receivables		5,539	-	5,539	6,921	-	6,921	9,635	-	9,635
Income taxes recoverable		342	-	342	219	-	219	239	-	239
Inventories		1,438	-	1,438	2,349	-	2,349	2,615	-	2,615
Prepaid expenses, deposits and advances		1,585	-	1,585	1,858	-	1,858	1,240	-	1,240
		22,239	-	22,239	22,336	-	22,336	28,047	-	28,047
Non-current assets:										
Mineral properties, plant and equipment	a,b,c	14,935	4,277	19,212	15,127	6,558	21,685	17,538	9,739	27,277
Intangible assets	c	-	102	102	-	124	124	-	127	127
		14,935	4,379	19,314	15,127	6,682	21,809	17,538	9,866	27,404
		$ 37,174	$ 4,379	$ 41,553	$ 37,463	$ 6,682	$ 44,145	$ 45,585	$ 9,866	$ 55,451
Liabilities and Shareholders' Equity										
Current liabilities:										
Trade and other payables, including derivatives		$ 2,631	$ -	$ 2,631	$ 4,197	$ -	$ 4,197	$ 4,758	$ -	$ 4,758
Capital lease obligations		801	-	801	614	-	614	369	-	369
Promissory notes		122	-	122	372	-	372	373	-	373
Convertible loan notes	d	-	-	-	-	-	-	3,792	(76)	3,716
Current tax liability		27	-	27	84	-	84	19	-	19
Deferred tax liability	e	506	(506)	-	-	-	-	-	-	-
		4,087	(506)	3,581	5,267	-	5,267	9,311	(76)	9,235
Non-current liabilities:										
Capital lease obligations		63	-	63	130	-	130	128	-	128
Promissory notes		118	-	118	259	-	259	77	-	77
Convertible loan notes	d	3,356	(253)	3,103	3,567	(182)	3,385	-	-	-
Reclamation and remediation provision	b	1,382	704	2,086	734	1,362	2,096	516	1,439	1,955
Deferred tax liability	e	1,312	850	2,162	-	-	-	-	-	-
		6,231	1,301	7,532	4,690	1,180	5,870	721	1,439	2,160
Shareholders' equity:										
Share Capital		75,910	-	75,910	77,106	-	77,106	83,470	-	83,470
Reserves	d	11,808	403	12,211	8,326	(88)	8,238	7,975	(368)	7,607
Deficit	a, b, d, e	(60,862)	3,181	(57,681)	(57,926)	5,590	(52,336)	(55,892)	8,871	(47,021)
		26,856	3,584	30,440	27,506	5,502	33,008	35,553	8,503	44,056
		$ 37,174	$ 4,379	$ 41,553	$ 37,463	$ 6,682	$ 44,145	$ 45,585	$ 9,866	$ 55,451

(Expressed in Thousands of Canadian Dollars, except share data)

14. Transition to IFRS (continued)

The reconciliations between the GAAP and IFRS comprehensive income (loss) for the three months ended June 30, 2010, the six months ended June 30, 2010, and the year ended December 31, 2010 are provided below:

		Three months ended June 30, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
Revenue		$ 9,317	$ -	$ 9,317
Cost of sales:				
Cost of sales		5,029	-	5,029
Amortization and depletion of mineral properties, plant and equipment	a, b	646	217	863
		5,675	217	5,892
Gross profit		3,642	(217)	3,425
Expenses:				
Amortization and depreciation		13	-	13
Accretion on reclamation and remediation provision	b	40	(40)	-
Mineral property exploration expenditures (recovery)	a	1,828	(1,834)	(6)
General and administrative		1,259	-	1,259
Share-based payments		16	-	16
		3,156	(1,874)	1,282
		486	1,657	2,143
Income (expenses):				
Interest income		22	-	22
Interest expense	b	(219)	219	-
Finance costs	b, d	-	(273)	(273)
Foreign exchange loss	b	(504)	(67)	(571)
Loss on disposal of capital assets		(1)	-	(1)
		(702)	(121)	(823)
Income (loss) before income taxes		(216)	1,536	1,320
Income tax recovery (expense):				
Current income tax recovery (expense)		(75)	-	(75)
Deferred income tax recovery (expense)	e	1,896	1,227	3,123
Income for the period		1,605	2,763	4,368
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	a, b, e	400	(48)	352
Net change in fair value of available-for-sale financial assets		(109)	-	(109)
Comprehensive income for the period		$ 1,896	$ 2,715	$ 4,611

(Expressed in Thousands of Canadian Dollars, except share data)

14. Transition to IFRS (continued)

		Six months ended June 30, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
Revenue		$ 17,232	$ -	$ 17,232
Cost of sales:				
Cost of sales		9,434	-	9,434
Amortization and depletion of mineral properties, plant and equipment	a, b	939	918	1,857
		10,373	918	11,291
Gross profit		6,859	(918)	5,941
Expenses:				
Amortization and depreciation		24	-	24
Accretion on reclamation and remediation provision	b	119	(119)	-
Mineral property exploration expenditures (recovery)	a	2,935	(2,948)	(13)
General and administrative		2,592	-	2,592
Share-based payments		16	-	16
		5,686	(3,067)	2,619
		1,173	2,149	3,322
Income (expenses):				
Interest income		43	-	43
Interest expense	b	(428)	428	-
Finance costs	b, d	-	(522)	(522)
Foreign exchange gain	b	393	10	403
Loss on disposal of capital assets		(1)	-	(1)
		7	(84)	(77)
Income before income taxes		1,180	2,065	3,245
Income tax recovery (expense):				
Current income tax recovery (expense)		(98)	-	(98)
Deferred income tax recovery (expense)	e	1,854	344	2,198
Income for the period		2,936	2,409	5,345
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	a, b, e	(3,162)	(491)	(3,653)
Net change in fair value of available-for-sale financial assets		(107)	-	(107)
Comprehensive income (loss) for the period		$ (333)	$ 1,918	$ 1,585

(Expressed in Thousands of Canadian Dollars, except share data)

14. Transition to IFRS (continued)

	Note	For the year ended December 31, 2010 Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue		$ 42,206	$ -	$ 42,206
Cost of sales:				
Cost of sales		21,161	-	21,161
Amortization and depletion of mineral properties, plant and equipment	a, b	2,362	1,755	4,117
		23,523	1,755	25,278
Gross profit		18,683	(1,755)	16,928
Expenses:				
Amortization and depreciation		52	-	52
Accretion on reclamation and remediation provision	b	206	(206)	-
Mineral property exploration expenditures (recovery)	a	7,110	(7,039)	71
General and administrative		5,858	-	5,858
Share-based payments		869	-	869
		14,095	(7,245)	6,850
		4,588	5,490	10,078
Income (expenses):				
Interest income		115	-	115
Interest expense	b	(934)	934	-
Finance costs	b, d	-	(1,154)	(1,154)
Foreign exchange gain (loss)	b	(373)	74	(299)
Loss on disposal of capital assets		(16)	-	(16)
Loss on derivative instruments		(147)	-	(147)
		(1,355)	(146)	(1,501)
Income before income taxes		3,233	5,344	8,577
Income tax recovery (expense):				
Current income tax recovery (expense)		(113)	-	(113)
Deferred income tax recovery (expense)	e	1,850	346	2,196
Income for the year		4,970	5,690	10,660
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	a, b, e	(3,025)	(771)	(3,796)
Net change in fair value of available-for-sale financial assets		(10)	-	(10)
Comprehensive income for the year		$ 1,935	$ 4,919	$ 6,854

(Expressed in Thousands of Canadian Dollars, except share data)

14. Transition to IFRS (continued)

The reconciliation between the GAAP and IFRS cash flows for the six months ended June 30, 2010 is provided below:

		Six months ended June 30, 2010		
	Note	GAAP	Effect of transition to IFRS	IFRS
Cash flows provided by (used in) operating activities:				
Income for the period		$ 2,936	$ 2,409	$ 5,345
Items not involving cash:				
Amortization and depletion of mineral properties, plant and equipment	a, b	964	918	1,882
Foreign exchange (gains) losses	b	123	(11)	112
Deferred tax liability	e	(1,853)	(344)	(2,197)
Accretion on reclamation and remediation provision	b	119	(96)	23
Share-based payments		16	-	16
Interest accretion on convertible loan notes	d	372	72	444
Loss on disposal of capital assets		1	-	1
Shares received for mineral property and capital expenditures		(23)	-	(23)
		2,655	2,948	5,603
Changes in non-cash operating working capital:				
Trade and other receivables		(1,549)	-	(1,549)
Income taxes recoverable		123	-	123
Inventories		(811)	-	(811)
Prepaid expenses, deposits and advances		(265)	-	(265)
Trade and other payables, including derivatives		530	-	530
Current tax liability		57	-	57
Net cash provided by operating activities		740	2,948	3,688
Cash flows used in investing activities:				
Intangible assets	c	-	(22)	(22)
Mineral properties and capital expenditures	a	(3,317)	(2,926)	(6,243)
Net cash used in investing activities		(3,317)	(2,948)	(6,265)
Cash flows from financing activities:				
Repayment of capital lease obligations		(447)	-	(447)
Repayment of promissory notes		(122)	-	(122)
Repayment of convertible loan notes		(162)	-	(162)
Proceeds from exercise of options		526	-	526
Proceeds from exercise of warrants		473	-	473
Issuance of shares for cash, net of issue costs		(32)	-	(32)
Net cash provided by financing activities		236	-	236
Effect of exchange rate changes on cash and cash equivalents		(88)	-	(88)
Decrease in cash and cash equivalents		(2,429)	-	(2,429)
Cash and cash equivalents, beginning of period		13,312	-	13,312
Cash and cash equivalent, end of period		$ 10,883	$ -	$ 10,883

14. Transition to IFRS (continued)

Material adjustments to the Statement of Cash Flows for 2010

Consistent with the Company's accounting policy choice under IFRS 6, *Exploration for and evaluation of mineral resources*, capitalized mine development costs have been reclassified from operating to investing activities. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations

(a) Mine development costs

Under GAAP, the Company expensed, as incurred, certain mine development costs related to evaluating the technical feasibility and commercial viability of extracting a mineral resource. Under IFRS, the Company has elected to capitalize these costs when a resource estimate has been established through a NI 43-101 and management has made a decision to proceed with development. This resulted in the following increases to Mineral properties, plant and equipment: $4,048 at January 1, 2010, $6,132 at June 30, 2010 and $9,391 at December 31, 2010.

(b) Reclamation and remediation provision (asset retirement obligations)

Under GAAP, asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the Company's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

Under IFRS, reclamation and remediation provisions are measured based on management's best estimate of the expenditures that will be made and adjustments to the provisions are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the provision to fair value (unwinding the discount). Furthermore, the estimated future cash flows should be discounted using the current rates.

The Company has elected to apply the exemption from full retrospective application as allowed under IFRS 1. As such, the Company has revalued the reclamation and remediation provision as at the transition date under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose using best estimates of the risk adjusted discount rates, and recalculated the accumulated depreciation and depletion under IFRS. This resulted in increases to mineral properties, plant and equipment and reclamation and remediation provision at January 1, 2010 of $229 and $704, respectively. Subsequent revaluations to mineral properties, plant and equipment at June 30, 2010 and at December 31, 2010 resulted in increases of $426 and $348, respectively. Subsequent revaluation to reclamation and remediation provision at June 30, 2010 and at December 31, 2010 resulted in increases of $1,362 and $1,439, respectively.

In addition, under previous GAAP, the unwinding of the discount was disclosed as accretion on asset retirement obligation, and has now been reclassified to finance costs as required under IFRS.

14. Transition to IFRS (continued)

(c) Intangible assets reclassification

The Company, under GAAP, had included certain intangible assets relating to capitalized software costs under mineral properties, plant and equipment. Under IFRS, intangible assets including capitalized software costs should be disclosed separately in the statement of financial position. This resulted in a reclassification of $102 on transition date, $124 at June 30, 2010 and $127 at December 31, 2010.

(d) Convertible loan notes revaluation

Under GAAP, the Company valued the equity and liability components of its convertible loan note by first valuing the equity component which is then deducted from the fair value of the instrument as a whole. The residual amount is assigned to the liability component. Under IFRS, a similar bifurcation into equity and liability is required; however, the liability component is valued first by reference to the fair value of a similar liability that does not have a conversion option and the equity component is valued as the residual amount. This resulted in a decrease to convertible loan notes of $253 on transition date, $182 at June 30, 2010 and $76 at December 31, 2010. On March 8, 2011, the convertible loan notes were converted (note 6(b)).

(e) Income tax

(i) Calculation of deferred tax on non-monetary items

Under GAAP, the Company calculated deferred tax balances related to asset and liabilities measured in a foreign currency in the currency in which the taxes are paid and then converted to the presentation currency at the current exchange rate. Under IFRS, deferred taxes related to assets and liabilities measured in a foreign currency are determined by comparing the accounting basis calculated at historical rate for non-monetary items to the tax basis converted at the current exchange rate. Deferred tax adjustments arise from this different treatment when an entity’s functional currency differs from that in which the entity calculates and pays tax. The Company’s adjustments for this difference primarily relate to the Mexican subsidiaries which have significant mineral property, plant and equipment balances recorded. This resulted in a decrease to deferred tax liability of $602 on the transition date.

(ii) Deferred tax classification

Under previous GAAP deferred taxation assets were classified between current and non-current based on the classification of the underlying assets and liabilities that gave rise to the differences. IAS 12 requires that deferred taxation amounts be classified as non-current assets.

Deferred taxes have also been adjusted for the changes to net book values arising as a result of the adjustments for first time adoption of IFRS as discussed above. This resulted in the following increase to deferred income tax recovery: three month period ended June 30, 2010 of $1,227, six month period ended June 30, 2010 of $344, and three month period ended December 31, 2010 of $346.

GREAT PANTHER SILVER LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

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This Management's Discussion and Analysis ("MD&A") prepared as of August 10, 2011, reviews the financial condition and results of operations of Great Panther Silver Limited ("Great Panther" or the "Company") for the six month financial period ended June 30, 2011, and other material events up to the date of this report. The following discussion should be read in conjunction with the December 31, 2010 annual audited consolidated financial statements and related notes with reference to the reconciliation referred to below together with the MD&A and the unaudited condensed consolidated interim financial statements and related notes for the period ended June 30, 2011.

The financial data included in the discussion provided in this report has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company adopted IFRS on January 1, 2011 and has restated its balance sheet as at January 1, 2010 ("transition date") to comply with IFRS presentation of comparative information. The three months ended June 30, 2011 is the Company's second reporting period under IFRS and the effects of the transition from Canadian generally accepted accounting principles ("Canadian GAAP) to IFRS on previously reported comparative periods financial statements is explained and set out in note 14 to these unaudited condensed consolidated interim financial statements. All dollar amounts are in thousands of Canadian dollars, unless otherwise noted.

RECENT DEVELOPMENTS

We continue to work towards achieving the goals of our 3-year (2010-12) growth strategy for our two operations. Key to the success of the growth strategy is the delineation of new National Instrument ("NI 43-101") compliant Mineral Resources. Drilling is being accelerated in 2011 to achieve these goals for 2012. Also, the addition of new production areas, from the increased development in the first two quarters, and better grade control are anticipated to lead to increased mine output and higher grades in the second half of 2011.

New NI 43-101 compliant Mineral Resource estimates by RPA have been published for both operations. Resources for Topia support current and future mine expansions and the plant capacity has been increased to accommodate those expansions. Resource estimates for Guanajuato support medium term production goals and plant capacity has already exceeded what is required to achieve these. The published resources did not include estimates for the Guanajuatito area and the San Ignacio property. The NI 43-101 Mineral Resource estimates for San Ignacio and Guanajuatito are being prepared for release later this year while the resources for other areas of Guanajuato will be updated as new drilling data is interpreted.

Due to delays in shipments of concentrate from its Guanajuato mine, inventories at quarter end were significantly higher than normal which resulted in lower second quarter revenue and net income than anticipated. However, once these sales are realized, revenue and net income will be positively affected in coming quarters.

We sell our concentrates for both the Topia and Guanajuato mines through contracts with third party metal traders. During the second quarter, the principal trader, who is contractually obligated to take agreed upon concentrate volumes from Guanajuato, initially advised us that there would be delays in fulfilling their contractual obligations until later in the quarter, at which time they would catch up and clear the backlog. Towards the end of the quarter, they advised that the delays would persist due to conditions at the smelter. We have been working with this trader continuously and towards the end of June, we were able to arrange for the sale of a portion but not all of the concentrates. The sale of concentrates from the Topia mine have been unaffected by this issue as these are sold to a different trader.

We have also been working directly with other metal traders and smelters to sell the balance of concentrates and expect that any such new arrangements, together with the existing contract, will allow us to sell the concentrate inventory on hand at Guanajuato through the balance of the year. Some smelters have sharply increased their refining charges in response to higher precious metal prices but we have decided to stockpile the concentrate rather than sell it under these onerous conditions.

We believe that this is a short-term issue which will be resolved over the next two quarters. We expect that quarterly revenue will be uneven until the backlog of concentrate is reduced. We have a strong cash position so the temporary build-up of inventory has not caused any operational changes and we have not altered our plans to increase production.

SECOND QUARTER SUMMARY

Highlights		Second Quarter 2011	Change from Second Quarter 2010		Year to Date 2011	Change from Year to Date 2010
Revenue	$	8,560	DOWN 8%	$	24,020	UP 39%
Earnings from mining operations	$	3,951	UP 15%	$	12,564	UP 111%
Net income	$	2,501	DOWN 43%	$	9,510	UP 78%
Earnings per share - basic	$	0.02	DOWN 50%	$	0.08	UP 60%
Earnings per share - diluted	$	0.02	DOWN 50%	$	0.07	UP 40%
Silver ounces produced (excluding equivalent ounces of gold, zinc and lead)		386,210	DOWN 6%		796,850	UP 4%
Silver equivalent ounces produced (1)		562,944	DOWN 2%		1,170,169	UP 6%
Silver payable ounces		193,914	DOWN 48%		542,353	DOWN 22%
Total cash cost per silver ounce (2)	$	11.84	UP 54%	$	10.69	UP 47%
Average revenue per silver ounce sold	$	36.21	UP 99%	$	37.02	UP 104%

- Closed equity offering for gross proceeds of $24.2 million on April 12, 2011.
- Cash and cash equivalents of $37.7 million at June 30, 2011.
- 8% decrease in revenue to $8.6 million for the quarter ended June 30, 2011 from $9.3 million for the same period in 2010.
- 39% increase in revenue to $24.0 million for the six months ended June 30, 2011 from $17.0 million for the same period in 2010.
- 15% increase in gross profit (earnings from mining operations) to $4.0 million for the three months ended June 30, 2011 from $3.4 million for the same period in 2010.
- 43% decrease in net income to $2.5 million for the quarter ended June 30, 2011 from $4.4 million for the same period in 2010, due to a one-time deferred income tax recovery of $3.0 million in 2010.

(1) Silver equivalent ounces in 2011 were established using prices of US$1,200 per oz of gold, US$20 per oz of silver, US$0.90 per lb of lead, and US$0.90 per lb of zinc.

(2) “Cash cost per silver ounce” is a non-IFRS measure and is used by the Company to manage and evaluate operating performance at each of the Company’s mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning. Refer to the “Non-IFRS Measures” section.

(3) “Adjusted EBITDA” is a non-IFRS measure in which standard EBITDA (earnings before interest expense, taxes, and depreciation and amortization) is adjusted for stock-based compensation expense and non-recurring items. Refer to the “Non-IFRS Measures” section for a reconciliation of standardized and adjusted EBITDA to the financial statements.

- 25% increase in Adjusted EBITDA(3) to $3.1 million for the three months ended June 30, 2011 from $2.5 million for the three months ended June 30, 2010.

- 2% decrease in overall metal production to 562,944 silver equivalent ounces (“Ag eq oz”) for the quarter ended June 30, 2011 from 574,740 for the same period in 2010.

- 6% decrease in silver production from 410,583 for the quarter ended June 30, 2010 to 386,210 Ag oz for the quarter ended June 30, 2011.

- 31% increase in gold production to 1,931 Au oz for the three months ended June 30, 2011 compared to 1,474 Au oz for the same period in 2010.

- 3% increase in overall metal production at Topia for a quarterly record of 212,108 Ag Eq oz as compared to the same period in 2010.

- 18% increase in silver production at Topia for a quarterly record of 143,774 Ag oz as compared to the same period in 2010.

- 30% increase in plant throughput at both operations to 56,643 from 43,555 tonnes for the three months ended June 31, 2011 and 2010, respectively.

- Exploration drilling continues from surface at San Ignacio and from underground at Rayas and Guanajuatito in Guanajuato.

- 54% increase in cash cost per silver ounce, net of by-products, for the second quarter of 2011 to US$11.84 from US$7.70 for the second quarter of 2010.

- Joined the Russell Global Index and the Market Vectors Junior Gold Miners Index raising the Company profile with investment managers and institutional investors.

- On July 12, 2011, purchased the new Santa Rosa silver-gold project totalling 1,514 hectares, approximately 10 to 15 kilometres northeast of Guanajuato, Mexico for US$1.5 million, increasing land holdings in Guanajuato by 136%.

OVERVIEW

Great Panther Silver Limited is a profitable, primary silver mining and exploration company listed on the Toronto Stock Exchange (“TSX”), trading under the symbol “GPR” and on the New York Stock Exchange (“NYSE”) Amex, trading under the symbol “GPL”. Our current activities are focused on the mining of precious and base metals from its wholly-owned properties in Mexico. In addition, Great Panther is also pursuing acquisition opportunities throughout Latin America to add a third mine to its portfolio of properties.

All of Great Panther’s assets in Mexico are held through Minera Mexicana el Rosario, S.A. de C.V. (“MMR”), a wholly-owned subsidiary acquired in February 2004. In 2005, we incorporated Metalicos de Durango, S.A, de C.V. (“MD”) and Minera de Villa Seca, S.A. de C.V (“MVS”). These two operating subsidiaries are responsible for the day-to-day affairs and operations of the Topia and Guanajuato mines, respectively, through service agreements with MMR.

MINE OPERATING RESULTS

Consolidated Operations

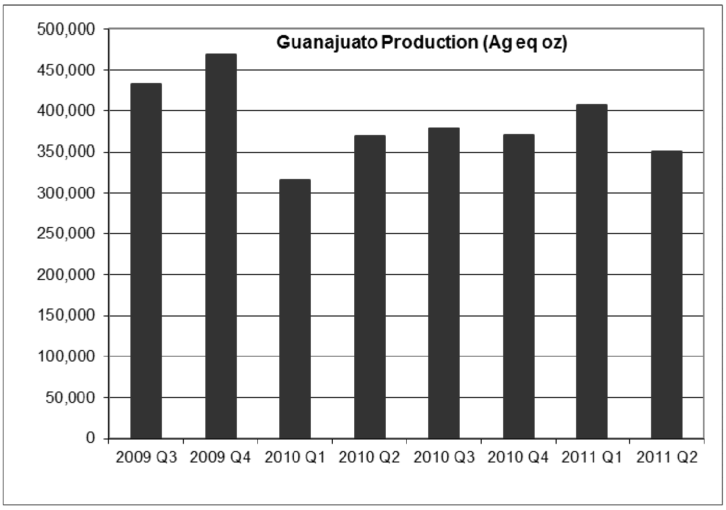
	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3
Tonnes milled	56,643	53,993	48,142	46,039	43,555	44,657	47,121	42,004
Production								
Silver ounces	386,210	410,640	385,022	382,220	410,583	357,132	390,026	398,811
Gold ounces	1,931	2,310	1,943	2,201	1,474	1,598	2,456	1,951
Lead tonnes	266	241	234	271	297	290	205	211
Zinc tonnes	348	345	304	352	357	345	248	263
Silver equivalent ounces[1]	562,944	607,225	565,660	588,454	574,740	526,948	625,288	597,057
Silver payable ounces	193,914	348,439	369,940	364,991	374,631	319,196	363,282	401,008
Cost per ounce (USD)	$ 11.84	$ 10.05	$ 8.41	$ 6.76	$ 7.70	$ 6.72	$ 4.80	$ 5.48

(1) For 2011, silver equivalent ounces for each metal were established using commodity prices of: US$1,200 per oz, US$20 per oz, US$0.90 per lb, and US$0.90 per lb for gold, silver, lead & zinc, respectively, and applied to the recovered metal content of the concentrates that were produced by the two operations.

Metal production from the two mines, at 562,944 Ag eq oz, including 386,210 ounces silver, 1,931 ounces gold, 266 tonnes lead, and 348 tonnes zinc, is within 2% of production for the second quarter 2010. Plant throughput is up by an average of 30% compared to the second quarter of 2010. However, ore grades were lower than anticipated. Record quarterly metal production of 212,108 Ag eq oz was achieved at Topia, including record silver production of 143,774 silver ounces ("Ag oz").

For the six months ended June 30, 2011, the combined metal production, at 1.17 million Ag eq oz, is up 6% from a year ago and the production rate is expected to increase further in the second half of the year.

Guanajuato Mine



Metal production at Guanajuato during the second quarter was down over the previous quarter primarily due to lower mined grades and, to a lesser degree, the installation and commissioning of a new flotation circuit in the plant. The Guanajuato operation processed 44,748 tonnes (up 30% from the second quarter of 2010), at ore grades of 1.38g/t Au and 193g/t Ag (down 26% from the second quarter of 2010), to produce 1,807 Au oz and 242,436 Ag oz, or 350,836 Ag eq oz (down 5% from the second quarter of 2010). The plant throughput includes old surface dump material hauled from the San Ignacio property totaling 4,437 tonnes at low ore grades of 0.45 g/t Au and 66 g/t Ag to produce 8,323 Ag eq oz. Despite the lower grade of this material, it was processed to check the metallurgy of San Ignacio mineralization, with positive results.

The Guanajuato plant achieved excellent gold and silver recovery of 90.8% and 87.4%, respectively. The installation of five new 5.0 cubic metre Outotec flotation cells, including an automated control system, was completed and commissioned in May together with a third set of Krebs cyclones. Metallurgical performance improved in June and is expected to improve further as ore quality improves.

The market for high grade precious metals concentrate sales became more difficult during the quarter as a result of a global surplus of concentrates due to the general upsurge in mine production in response to higher metal prices. We have a contract to sell the Guanajuato concentrates through a trader to an overseas smelter; however, owing to technical reasons, the smelter has reduced the quantity of purchases, such that inventories of unsold concentrates at Guanajuato were significantly higher than normal at the end of the second quarter. While this will influence second quarter revenue, it is considered to be a short-term issue and negotiations with alternative buyers are being pursued.

	2011 Q2	***2011 Q1***	***2010 Q4***	***2010 Q3***	***2010 Q2***	***2010 Q1***	***2009 Q4***	***2009 Q3***
Tonnes milled	44,748	42,980	39,061	35,761	34,379	34,912	39,853	34,325
Production								
Silver (ounces)	242,436	273,421	255,372	250,629	288,825	225,030	287,101	288,087
Gold (ounces)	1,807	2,217	1,835	2,042	1,289	1,453	2,367	1,872
Silver equivalent ounces[(1)]	350,836	406,419	370,062	378,283	369,390	315,820	470,025	432,795
Silver payable ounces	85,427	235,809	240,137	246,344	262,708	204,893	262,430	291,649
Average ore grade								
Silver (g/t)	193	222	228	248	291	233	271	315
Gold (g/t)	1.38	1.75	1.60	1.96	1.35	1.51	2.14	2.00
Metal recoveries								
Silver	87.4%	89.2%	89.1%	87.8%	89.9%	86.1%	82.6%	82.9%
Gold	90.8%	91.5%	91.1%	90.5%	86.6%	85.5%	86.4%	84.8%
Concentrate grades								
Silver (g/t)	10,485	9,797	12,548	10,766	12,252	11,774	13,488	14,131
Gold (g/t)	78	79	90	88	55	76	111	92

(1) For 2011, silver equivalent ounces for each metal were established using commodity prices of: US$1,200 per oz, US$20 per oz, US$0.90 per lb, and US$0.90 per lb for gold, silver, lead & zinc, respectively, and applied to the recovered metal content of the concentrates that were produced by the two operations.

Cata Clavo production improved and contributed 38% of total metal production from 14,000 tonnes at ore grades of 266g/t Ag and 1.11g/t Au. Development on the new 510 metre level will access both the Alto 1 and Veta Madre zones in the third quarter to provide additional stoping areas for higher production at higher than average ore grades.

Production stoping of the Santa Margarita vein progressed well at the planned 50 tonnes per day ("tpd"), although gold grades of the ore extracted were lower than in previous quarters, at 5.1g/t Au. Production from this vein will be increased by year end when a second production level is established on the 475 metre level.

Production from the Los Pozos area on the 310, 345 and 380 metre levels progressed, with ore production at 225 tpd contributing 37% of total metal production from 16,700 tonnes at estimated grades of 215g/t Ag and 0.93g/t Au. These grades are below those expected from channel sampling, and steps are being taken to improve grade control in this area. Mining efficiencies are also being improved and an access decline ramp is being driven to establish a fourth production level. Exploratory diamond drilling from the 390 metre level has intercepted the orebody below this level and deeper exploratory drilling will probe the Los Pozos zone down to the 500 metre level.

The ramp haulage system is being upgraded and extended to the Cata shaft ore loading pocket such that, as of August, the inclined hoisting shafts of both Rayas and Cata will be redundant, thereby eliminating current bottlenecks to production efficiency.

Stoping of the Guanajuatito North Zone continued from the 120 metre level with ore production totaling 2,000 tonnes at grades of 167g/t Ag and 0.90g/t Au. Ramp access is being extended to the 160 metre level where diamond drilling has indicated an extension of the orebody.

Underground diamond drilling at Guanajuato totaled 7,137 metres, with 36 holes completed during the quarter. Drilling tested: (1) the potential of the Deep Rayas area - 3,654 metres, (2) the Guanajuatito North Zone area - 2,779 metres, (3) the Valenciana area - 413 metres, and (4) the Los Pozos area - 291 metres. Results to date are being compiled and will be announced in due course. During the third quarter, it is expected that the Deep Rayas drill rig will move to the Los Pozos area and then on to Valenciana exploration. The Valenciana area is currently being rehabilitated and drill stations established in order to accommodate the deep drilling program. Drilling to explore the Guanajuatito area will continue. An additional rig will drill the Santa Margarita inferred resource area and a new, smaller rig will drill the deeper resource area of Cata.

Meanwhile, underground development continues, providing additional diamond drill stations for the Santa Margarita, Deep Valenciana and Guanajuatito areas. Underground diamond drilling is being accelerated in the third and fourth quarters.

On July 18, 2011, we announced the acquisition of four mining concessions, totalling 1,514 hectares, approximately 10 to 15 kilometres northeast of Guanajuato. The claims are located on the north-west extension of a system of multiple northwest-southeastern trending parallel structures that could be part of the "La Sierra" vein system. The La Sierra system is the most easterly of the three structural systems in the prolific Guanajuato district along with the main Veta Madre and the La Luz trends. Presently we are mining on the Veta Madre system at its Guanajuato Mine and exploring on the westerly La Luz system at the San Ignacio project.

There are numerous past producing mines along the La Sierra system, including AuRico Gold's currently operating El Cubo mine, with 620,000 gold equivalent ounces in reserves (source: AuRico Gold Inc. website). While several old mines, some with multiple levels, are evident on the newly-acquired concessions (collectively called “the Santa Rosa Project”), no production records exist. The concessions are within trucking distance to our Cata plant in Guanajuato.

Through the course of due diligence, we have already completed considerable ground work on the Santa Rosa claims. Multiple veins with argillic alteration and erratic silver and gold values have been identified. Having now signed the formal agreement, we will be immediately re-commencing geological mapping and rock sampling, while potential drill sites are being investigated to test the various structures.

The four claims were purchased from Minera Blanca Alicia, S.A. de C.V., a private Mexican company, for US$1.5 million with 50% payable on signing of the purchase agreement and 50% on the registration of the contract with the Direccion General de Minas (Mexico). A royalty of 1.3% is payable from ore produced from the four claims.

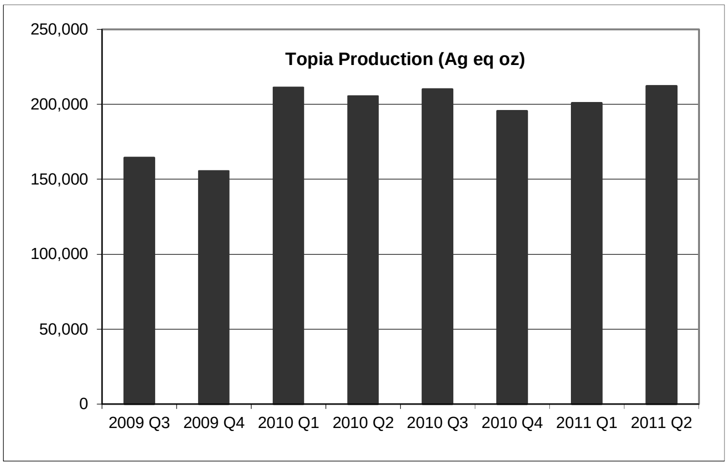
Compared to the second quarter of 2010, total cash production costs were lower due to delayed concentrate shipments which increased inventory. (The actual costs were adjusted according to the costs to produce only that metal that was sold).

	2011 Q2	*2011 Q1*	*2010 Q4*	*2010 Q3*	*2010 Q2*	*2010 Q1*	*2009 Q4*	*2009 Q3*
Direct cash production costs	$ 1,648	$ 3,479	$ 3,891	$ 3,253	$ 2,956	$ 2,939	$ 3,117	$ 3,251
Smelter and transportation	186	511	451	383	310	190	200	226
Total cash cost	**$ 1,834**	**$ 3,990**	**$ 4,342**	**$ 3,636**	**$ 3,266**	**$ 3,129**	**$ 3,317**	**$ 3,477**
By-product credits (1)	(1,241)	(2,118)	(2,638)	(2,263)	(1,420)	(1,558)	(2,376)	(1,823)
CAD Cash operating costs	**$ 593**	**$ 1,872**	**$ 1,704**	**$ 1,373**	**$ 1,846**	**$ 1,571**	**$ 941**	**$ 1,654**
USD Cash operating costs	$ 540	$ 1,850	$ 1,681	$ 1,319	$ 1,796	$ 1,513	$ 891	$ 1,507
Payable Silver Production	85,427	235,809	240,137	246,344	262,708	204,893	262,430	291,649
USD Cash cost per ounce of silver	**$ 6.32**	**$ 7.85**	**$ 7.00**	**$ 5.35**	**$ 6.83**	**$ 7.38**	**$ 3.40**	**$ 5.17**

(1) By-product credits are defined as revenue from the by-products of silver, specifically gold, lead and zinc for Topia and gold for Guanajuato.

The cash cost per ounce of silver (refer to "Non-IFRS Measures" section) at Guanajuato for the three months ended June 30, 2011 of US$6.32 was 7% lower than US$6.83 in the second quarter of 2010. The second quarter 2011 cost per ounce decreased by 19% from the first quarter 2011 cost of US$7.85. Higher by-product credits from increased gold content and higher realized gold prices helped to lower the unit costs.

Topia Mine



The Topia operation reported metal production of 143,774 oz of silver (a record), 124 oz of gold, 586,136 lbs of lead and 768,282 lbs of zinc, from milling 11,895 tonnes of ore. This equates to a record 212,108 Ag eq oz which is 6% higher than the previous quarter and 3% higher than the second quarter of 2010. Ore grades averaged 418g/t Ag, 0.40g/t Au, 2.34% Pb and 3.18% Zn.

As a result of the recent expansion of the Topia plant, a quarterly record of 11,895 tonnes was processed from our mines in the district. Metallurgical performance resulted in excellent recoveries of all metals. Silver, gold, lead and zinc recoveries in the second quarter were 89.9%, 81.6%, 95.5% and 92.2%, respectively. Lead concentrate grades of 53.33% Pb and 8,463g/t Ag were achieved while the zinc concentrate averaged 52.89% Zn and 674g/t Ag. In addition to processing the Company's ore, 3,170 tonnes were custom milled for a local miner, thereby increasing revenue and keeping unit costs down.

	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3
Tonnes milled	11,895	11,013	9,081	10,278	9,176	9,745	7,268	7,679
Production								
Silver (ounces)	143,774	137,219	129,650	131,591	121,758	132,102	102,925	110,724
Gold (ounces)	124	93	108	159	185	145	89	79
Lead (tonnes)	266	241	234	271	297	290	205	211
Zinc (tonnes)	348	345	304	352	357	345	248	263
Silver equivalent ounces(1)	212,108	200,806	195,598	210,171	205,350	211,128	155,263	164,262
Silver payable ounces	108,487	112,630	129,803	118,647	111,923	114,303	100,852	109,359
Average ore grade								
Silver (g/t)	418	420	485	441	446	459	481	492
Gold (g/t)	0.40	0.33	0.46	0.58	0.76	0.63	0.46	0.40
Lead (%)	2.34	2.32	2.78	2.81	3.39	3.20	2.99	2.95
Zinc (%)	3.18	3.42	3.64	3.72	4.22	3.91	3.78	3.84
Metal recoveries								
Silver	89.9%	92.3%	91.5%	90.2%	92.4%	91.8%	91.6%	91.2%
Gold	81.6%	79.0%	81.5%	82.3%	82.9%	72.8%	83.9%	79.8%
Lead	95.5%	94.1%	92.7%	94.0%	95.4%	93.2%	94.5%	93.0%
Zinc	92.2%	91.5%	91.8%	92.0%	92.2%	90.5%	90.4%	89.3%
Concentrate grades								
Lead								
Silver (g/t)	8,463	9,167	8,656	8,355	7,347	7,874	8,786	8,971
Gold (g/t)	6.27	4.93	5.83	8.87	9.63	7.40	6.93	5.68
Lead (%)	53.33	54.61	52.70	57.79	61.01	57.87	58.64	57.16
Zinc (%)	8.65	9.46	7.60	9.12	8.47	9.19	9.24	10.14
Zinc								
Silver (g/t)	674	687	656	438	491	486	447	449
Gold (g/t)	1.44	1.40	1.68	1.51	1.98	1.58	1.01	0.96
Lead (%)	1.50	1.68	1.77	0.96	1.07	1.56	0.91	0.74
Zinc (%)	52.89	54.08	51.14	53.87	53.90	52.57	55.41	54.78

(1) For 2011, silver equivalent ounces for each metal were established using commodity prices of: US$1,200 per oz, US$20 per oz, US$0.90 per lb, and US$0.90 per lb for gold, silver, lead & zinc, respectively, and applied to the recovered metal content of the concentrates that were produced by the two operations.

Mine development continued to extend known areas and provide access to new mining areas. A surface road has been established at the San Gregorio/El Rosario vein operations to provide access at the 1,630 metre elevation which is 30 and 50 metres, respectively, below the current workings. At the Durangueno mine, the San Gregorio vein is being explored and prepared for production on the 1,475 elevation. As there are limited mineral resources and no previous exploitation between the 1,475 and 1,660 metre elevations, these developments will provide for additional production in the second half of the year and add new mineral resources.

Preparations continue at the La Prieta mine. Ore and waste handling facilities have been established and the main haulage route is being widened and rehabilitated. This past producing mine with modest mineral resources and large exploration potential is expected to add silver production by year end.

A total of 1,020 metres of underground diamond drilling was completed in 20 diamond core holes. Drilling was carried out to test for additional resources on the possible east extension of the Don Benito vein, between 1,500 and 1,534 metre elevations, and on the past producing Santa Bibiana vein between 1,380 and 1,460 metre elevations. Results from the drilling are being used to direct further exploratory development and, in the case of the Santa Bibiana vein, to justify the re-opening of a formerly producing mine.

A new surface drilling program of 7,000 metres has been planned and will start later this month once the rainy season has brought much needed water to the area.

Cost per ounce for the second quarter of 2011 increased by 66% from US$9.74 in the second quarter of 2010 to US$16.18. This represents a 10% increase compared to the first quarter 2011 cost per ounce of US$14.65. The increase over 2010 is due to increased smelter and transportation charges, higher tonnes mined and milled at a lower grade, and lower by-product credits due to decreased gold, lead and zinc production.

	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3
Direct cash production costs	$ 2,214	$ 2,091	$ 2,200	$ 1,906	$ 1,806	$ 1,291	$ 1,403	$ 1,188
Smelter and transportation	567	580	430	362	379	374	329	328
Total cash cost	**$ 2,781**	**$ 2,671**	**$ 2,630**	**$ 2,268**	**$ 2,185**	**$ 1,665**	**$ 1,732**	**$ 1,516**
By-product credits [1]	(963)	(996)	(1,183)	(1,075)	(1,066)	(1,006)	(832)	(760)
CAD Cash operating costs	**$ 1,818**	**$ 1,675**	**$ 1,447**	**$ 1,193**	**$ 1,119**	**$ 659**	**$ 900**	**$ 756**
USD Cash operating costs	$ 1,756	$ 1,650	$ 1,430	$ 1,149	$ 1,090	$ 632	$ 852	$ 691
Payable Silver Production	108,487	112,630	129,803	118,647	111,923	114,303	100,852	109,359
USD Cash cost per ounce of silver	**$ 16.18**	**$ 14.65**	**$ 11.02**	**$ 9.68**	**$ 9.74**	**$ 5.53**	**$ 8.45**	**$ 6.32**

(1) By-product credits are defined as revenue from the by-products of silver, specifically gold, lead and zinc for Topia and gold for Guanajuato.

RESOURCES UPDATE

Guanajuato Mine

Thirty-seven diamond core holes were completed in underground diamond drilling for a total of 7,172 metres. Major drilling programs were re-initiated during the second quarter to further explore the Deep Rayas Clavo (14 drill holes totaling 3,654 metres) and the Guanajuatito North Zone (14 drill holes totaling 2,775 metres). Additionally, two drill holes were completed at Valenciana, totaling 426 metres, and seven drill holes were completed at Los Pozos, totaling 317 metres.

Results to date are being compiled and will be announced in due course. During the third quarter, it is expected that the Deep Rayas drill rig will move to the Los Pozos area and then on to Valenciana exploration. The Valenciana area is currently being rehabilitated and additional drill stations established in order to accommodate the deep drilling program. Drilling to explore the Guanajuatito area will continue to explore the North Zone to depth while additional rigs will drill the Santa Margarita inferred resource area and a new, smaller rig will drill the deeper resource area of Cata.

Meanwhile, underground development continues, providing additional diamond drill stations for the Santa Margarita, Deep Valenciana and Guanajuatito areas. Underground diamond drilling is being accelerated in the third and fourth quarters.

New resource estimates are being compiled to take account of the new vein intercept data from recent drilling. A NI 43-101 compliant resource estimate for the Guanajuatito North Zone is expected later in the third quarter.

San Ignacio

The San Ignacio mine property covers approximately four kilometres of strike length on the La Luz vein system, which is parallel to, and five kilometres west of, the principal Veta Madre structure that hosts our main Guanajuato mines.

Diamond drilling has continued at San Ignacio, where silver-gold mineralization was initially intersected in the third quarter of 2010 and results announced for the first eight diamond core holes. As drilling continued and results were compiled, steps were taken to prepare an internal NI 43-101 compliant resource estimate. As a result of a stringent Quality Assurance ("QA") procedure, it was observed that there was no consistent correlation between the original and quarter-core check assays in the first nine holes. As such, on May 24, 2011, we announced our decision to postpone the NI 43-101 compliant mineral resource estimate for the San Ignacio property pending further drilling.

Visible silver sulphides can be identified in some zones and certain check assays correlate well with the original assays while others do not. Check assaying at ALS Chemex in Vancouver, B.C. and SGS in Durango has ruled out any laboratory error at the Guanajuato on-site SGS laboratory. Quality Control ("QC") core logging and sampling procedures of the San Ignacio cores have been reviewed by Dave Rennie, P. Eng, of Roscoe Postle Associates and some modifications were made, with more rigorous logging and sample collection protocols now in place.

During the second quarter, eight diamond drill holes totalling 3,458 metres were completed. Re-logging and quarter core sampling of the initial nine drill holes is ongoing. Three of the recent holes were twins of the initial 9 holes. Twenty-one holes have now been drilled at San Ignacio, for a cumulative total of 9,558 metres and drilling is continuing with one drill rig to delimit the mineralization. A second drill should arrive by September.

A comparison of the twin holes with the original holes, as well as continued check assaying is confirming that extreme short scale variability exists in some places within the silver-gold epithermal quartz veins at San Ignacio. Larger diameter HQ core is now being used in order to increase the sample size. QA/QC checking is ongoing in order to build a larger database for statistical analysis. We have decided not to release any further assays from San Ignacio until the check program is complete, estimated to be later in the third quarter. When this has been completed and reviewed, we will then proceed with the mineral resource estimate. As a complement to the drilling, detailed surface geological mapping and rock sampling continue to identify further targets.

We have started the permit application process, including preparation of an Environmental Impact Assessment, in anticipation of a positive decision to establish a mine portal and drive a decline ramp from surface to access the veins for underground mining. During the course of development, any ore from the San Ignacio mine property will be trucked to our Guanajuato plant for processing, where capacity currently exists to double ore throughput.

Topia Mine

Mine development continued to extend known areas and provide access to new mining areas. A surface road has been established at the San Gregorio/El Rosario vein operations to provide access to the veins at the 1,630 metre elevation which is 30 and 50 metres, respectively, below the current workings. At the Durangueno mine, the San Gregorio vein is being explored and prepared for production on the 1,475 elevation. As there are limited mineral resources and no previous exploitation between the 1,475 and 1,660 metre elevations, these developments will provide for additional production in the second half of the year and add new mineral resources.

A total of 1,020 metres of underground diamond drilling was completed in 20 diamond core holes. Drilling was carried out to test for additional resources on the possible east extension of the Don Benito vein, between 1,500 and 1,534 metre elevations, and on the past producing Santa Bibiana vein between 1,380 and 1,460 metre elevations. Results from the drilling are being used to direct further exploratory development.

A new surface program of 7,000 metres has been planned and will start later this month once the rainy season has brought much needed water to the area.

The 2011 Measured and Indicated Mineral Resources estimate is 171,000 tonnes at 864g/t silver, 1.56g/t gold, 7.53% lead and 4.37% zinc (7.44 million silver equivalent ounces), a 36.3% increase over the 2009 resource estimate. In addition, the Inferred Mineral Resource estimate is 285,000 tonnes of 868g/t silver, 1.5g/t gold, 6.5% lead and 3.7% zinc (11.91 million silver equivalent ounces), a 109.3% increase over the previous estimate.

The significant increase in our resource base at Topia is a validation of the longevity of this high grade silver-gold-lead-zinc mine. Considering there were no compliant resources when we bought the Topia mine, we have consistently increased the resource base with every drill program, while increasing production at the same time.

It is anticipated that, with additional drilling, the resource will continue to increase. This “rolling resource” is typical for underground mines as it is often not cost effective to define a large resource/reserve in advance of mining.

The summer 2011 Topia mine surface drill program will focus on the Oliva vein (west portion) and, in the same area, the eastern portion of the Recompensa vein and several intermediate veins of interest identified in the 2010 program. Also, more detailed drilling is planned at La Prieta, which can significantly upgrade the present inferred resource on the La Prieta veins as well as on three other subsidiary veins. Detailed drilling on the Higueras vein, along with strike extensions of the San Gregorio and El Rosario veins will continue to grow the Topia mine mineral resources. The Argentina vein, which remains open to expansion at depth and to the east for approximately 500 metres below old mine workings, will be drill tested this summer.

SELECTED QUARTERLY INFORMATION

	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4 (1)	2009 Q3 (1)
Revenue	$ 8,560	$ 15,460	$ 13,809	$ 11,165	$ 9,317	$ 7,915	$ 9,850	$ 8,886
Cost of sales (excluding amortization and depletion)	4,193	5,831	6,360	5,367	5,029	4,405	4,698	4,637
Earnings from mining operations (2)	3,951	8,613	6,322	4,679	3,425	2,516	4,248	3,371
Income (loss) for the period	2,501	7,009	2,265	3,050	4,368	977	1,037	(114)
Basic earnings (loss) per share	0.02	0.06	0.02	0.03	0.04	0.01	0.01	(0.00)
Diluted earnings (loss) per share	0.02	0.05	0.02	0.03	0.04	0.01	0.01	(0.00)
Adjusted EBITDA (3)	3,116	8,397	4,346	4,747	2,486	3,179	3,037	1,857
Cash and cash equivalents	36,760	15,166	13,967	9,364	10,883	9,250	13,312	2,908
Working capital	51,947	29,291	18,812	13,200	17,069	18,438	18,153	4,844

(1) Information for 2009 is presented in accordance with Canadian GAAP and was not required to be restated in IFRS.

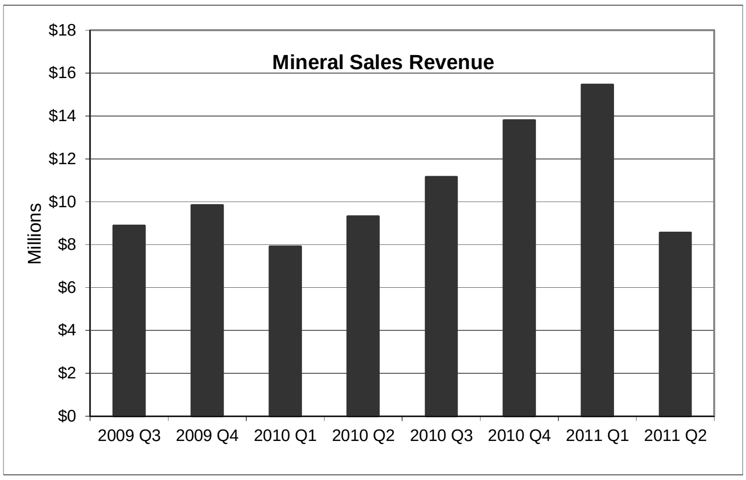
(2) "Earnings from mining operations" are defined as gross profit.

(3) "Adjusted EBITDA" is a non-IFRS measure in which standard EBITDA (earnings before interest expense, taxes, and depreciation and amortization) is adjusted for stock-based compensation expense and non-recurring items. Refer to the "Non-IFRS Measures" section for a reconciliation of standardized and adjusted EBITDA to the financial statements.

QUARTERLY TRENDS

The climate in Mexico allows mining and exploration activities to be conducted throughout the year. Therefore, revenue and cost of sales do not exhibit variations due to seasonality. Revenue will vary based on the quantity of silver production, metal prices and terms of sales agreements.

There can also be significant variances in our reported income (loss) from quarter to quarter arising from factors that are difficult to anticipate in advance or to predict from past results. For example, the granting of incentive stock options, which results in the recording of amounts for stock-based compensation can be quite large in any given quarter. Fluctuations in foreign currency, specifically the Mexican peso and US dollar vis-à-vis the Canadian dollar can also result in considerable variances in foreign exchange gains/losses.



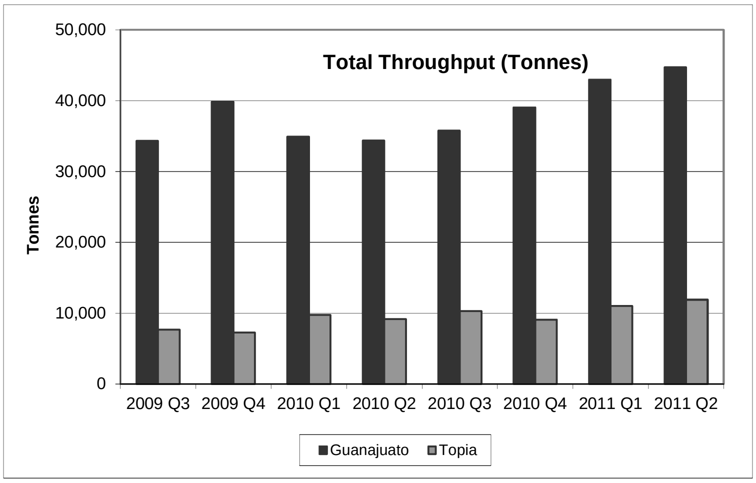
SECOND QUARTER DISCUSSION

For the three and six months ended June 30, 2011, we earned revenue of $8.6 million and $24.0 million, respectively, compared to $9.3 million and $17.2 million for the same periods in 2010, a decrease of 8% and an increase of 40%, respectively. Revenue decreased by $6.9 million, or 45%, during the second quarter 2011 compared to the first quarter 2011.

This decrease in revenue is due to delays in shipments of concentrate from our Guanajuato mine offset in part by an increase in metal prices. For the three months ended June 30, 2011, average realized prices for silver, gold, lead and zinc prices increased by 99%, 26%, 37% and 19%, respectively, on a year over year basis. Compared to the first quarter of 2011, average realized silver, lead and zinc prices for the second quarter of 2011 decreased by 3%, 8% and 9%, respectively, while gold prices increased by 1%.

Our realized average metal prices and the average Canadian exchange rates against the United States dollar and Mexican pesos for the three months ended June 30, 2011 and 2010 are as follows:

		2011 Q2		***2011 YTD***		***2010 Q2***		***2010 YTD***
Silver (U.S. $ / oz.)	$	36.21	$	37.02	$	18.21	$	18.10
Gold (U.S. $ / oz.)	$	1,527.09	$	1,515.02	$	1,212.30	$	1,205.57
Lead (U.S. $/ lb.)	$	1.12	$	1.17	$	0.82	$	0.90
Zinc (U.S. $/ lb.)	$	1.00	$	1.05	$	0.84	$	0.93
CAD / USD		0.968		0.977		1.028		1.035
CAD / MXP		0.083		0.082		0.082		0.082



We sell our concentrates for both the Topia and Guanajuato mines through contracts with third party metal traders. During the second quarter, the principal trader, who is contractually obligated to take agreed upon concentrate volumes from Guanajuato, initially advised us that there would be delays in fulfilling their contractual obligations until later in the quarter, at which time they would catch up and clear the backlog. Towards the end of the quarter, they advised that the delays would persist due to conditions at the smelter. We have been working with this trader continuously and towards the end of June, we were able to arrange for the sale of a portion but not all of the concentrates. The sale of concentrates from the Topia mine have been unaffected by this issue as these are sold to a different trader.

Total plant throughput of 56,643 tonnes for the Topia and Guanajuato operations for the second quarter 2011 increased by 30% compared to 43,554 tonnes for the second quarter of 2010. As compared to the first quarter of 2011, plant throughput increased by 5% from 53,993 tonnes in the first quarter 2011.

Cost of sales (excluding amortization and depletion) was $4.2 million and $10.0 million for the three and six months ended June 30, 2011, respectively, compared to $5.0 and $9.4 million for the same periods in 2010. The year over year decrease in cost of sales is primarily due to delayed shipments from the Guanajuato mine offset in part by higher site costs. For the three months ended June 30, 2011, we had gross profit (earnings from mining operations) of $4.0 million compared to $3.4 million in the same period in 2010, an increase of 15%. Gross profit for the six months ended June 30, 2011 was $12.6 million compared to $5.9 million in 2010. The year over year increase is mainly due to higher metal prices.

The total combined cash cost per ounce of silver produced was US$11.84 for the three months ended June 30, 2011, a 54% increase compared to US$7.70 for the same period in 2010 and a 59% increase compared to US$7.43 for the full year 2010. Cash operating costs at both mines were up over the second quarter of 2010 due to higher site costs and lower recoveries. Smelter charges at both mines were higher as a result of new smelter contracts. These increases were partially offset by higher gold prices which reduced unit costs.

Amortization and depletion of mineral properties, plant and equipment for the three and six months ended June 30, 2011 were $0.4 million and $1.4 million, respectively, compared to $0.9 million and $1.9 million in the same periods in 2010. The decrease in amortization is due to the significant increase in Guanajuato concentrate inventory. Once the inventory is sold in subsequent periods, the amortization will be released from inventory to the statement of comprehensive income. Higher capitalized mine development costs compared to the prior year were offset by extensions in the mines lives of Guanajuato and Topia to five and 10 years, respectively, at December 31, 2010 and from 3 and 10 years at the end of the first quarter of 2010. Topia's mine life was subsequently extended from 7 to 10 years at the end of the first quarter 2010.

General and administrative expenses were $1.6 million and $3.4 million for the three and six months ended June 30, 2011, respectively, compared to $1.3 million and $2.6 million for the same periods in 2010. The increase was primarily due to higher business development activity, additional costs associated with our listing on the NYSE Amex stock exchange, expansion of our investor relations program including the addition of our Vice President Corporate Development, implementation of our enterprise resource planning system and the conversion to IFRS.

Finance costs decreased by $0.2 million for the three and six months ended June 30, 2011 as compared to the same periods in 2010. The decrease relates to accretion of the remaining convertible loan notes which were converted in the first quarter of 2011.

We recorded foreign exchange gains of $0.2 million and $0.6 million for the three and six months ended June 30, 2011. During the three and six months ended June 30, 2011, the Mexican peso appreciated against the Canadian dollar and foreign exchange gains resulted on the translation of net monetary assets and liabilities at June 30, 2011. For the same periods in 2010, we recorded a loss of $0.6 million and a gain of $0.4 million, respectively. During the second quarter of 2010, the Mexican peso depreciated against the Canadian dollar, partially reversing the foreign exchange gain recorded during the first quarter.

Income tax expense for the three and six months ended June 30, 2010 was $0.1 million and $0.2 million, respectively, compared to recovery of income taxes of $3.0 million and $2.1 million for the same periods in 2010. The recovery in the second quarter of 2010 was primarily due to the reversal of a $3.1 million deferred income tax provision which was a result of the completion of tax planning that will allow for the utilization of Mexican tax loss carry-forwards.

Net income for the three and six months ended June 30, 2011 was $2.5 million and $9.5 million, respectively, compared to $4.4 million and $5.3 million for the same periods in 2010. The increase in net income is primarily attributable to gross profit (earnings from mining operations) which improved over the prior year as a result of higher metal prices, foreign exchange gains resulting from the appreciation of the Mexican peso against the Canadian dollar and decrease in financing costs due to extinguishment of the remaining convertible notes. These gains were offset by higher general and administrative costs and the reversal of the deferred income tax provision in the second quarter of 2010.

Adjusted EBITDA (as defined below in the "Non-IFRS Measures" section) was $3.1 million and $11.5 million for the three and six months ended June 30, 2011, respectively, compared to $2.5 million and $5.7 million during the same periods in 2010.

NON-IFRS MEASURES

Cash Costs per Ounce of Silver

The non-IFRS measure of cash cost per ounce of silver is used by the Company to manage and evaluate operating performance at each of the Company's mines and is widely reported in the silver mining industry as a benchmark for performance, but does not have a standardized meaning.

The Company's ability to control the cash cost per ounce is one of its key performance drivers impacting both the Company's financial condition and results of operations. Having a low silver production cost base allows the Company to remain profitable even during times of declining commodity prices and more flexibility in responding to changing market conditions. In addition, a profitable operation results in the generation of positive cash flows, which then improves the Company's financial condition.

To facilitate a better understanding of this measure as calculated by the Company, we have provided a detailed reconciliation between the cash cost per ounce of silver and our cost of sales as reported in our Condensed Consolidated Interim Statements of Comprehensive Income (Loss).

	Guanajuato		Topia		Consolidated	
	2011 Q2	2010 Q2	2011 Q2	2010 Q2	2011 Q2	2010 Q2
CAD Cost of sales	$ 1,677	$ 3,031	$ 2,516	$ 1,998	$ 4,193	$ 5,030
Smelting and refining	163	242	455	399	618	641
CAD Gross by-product revenue [1]	(1,248)	(1,427)	(1,051)	(1,196)	(2,299)	(2,623)
Cost of custom milling	-	-	(102)	(83)	(102)	(83)
CAD Cash operating costs	**$ 593**	**$ 1,846**	**$ 1,818**	**$ 1,118**	**$ 2,411**	**$ 2,964**
USD Cash operating costs	$ 540	$ 1,796	$ 1,756	$ 1,090	$ 2,295	$ 2,885
Payable Silver Production	85,427	262,708	108,487	111,923	193,914	374,631
USD Cash cost per ounce of silver	**$ 6.32**	**$ 6.83**	**$ 16.18**	**$ 9.74**	**$ 11.84**	**$ 7.70**

	Guanajuato		Topia		Consolidated	
	2011 YTD	2010 YTD	2011 YTD	2010 YTD	2011 YTD	2010 YTD
CAD Cost of sales	$ 5,230	$ 5,987	$ 4,794	$ 3,447	$ 10,024	$ 9,435
Smelting and refining	612	424	1,012	783	1,624	1,207
CAD Gross by-product revenue [1]	(3,378)	(2,993)	(2,145)	(2,302)	(5,523)	(5,295)
Cost of custom milling	-	-	(168)	(150)	(168)	(150)
CAD Cash operating costs	**$ 2,465**	**$ 3,418**	**$ 3,493**	**$ 1,777**	**$ 5,957**	**$ 5,195**
USD Cash operating costs	$ 2,390	$ 3,308	$ 3,406	$ 1,721	$ 5,796	$ 5,030
Payable Silver Production	321,236	467,601	221,117	226,226	542,353	693,827
USD Cash cost per ounce of silver	**$ 7.44**	**$ 7.08**	**$ 15.40**	**$ 7.61**	**$ 10.69**	**$ 7.25**

[1] Gross by-product revenue is revenue, before smelting and refining (which is expensed in cost of sales), derived from the by-products of silver, specifically gold at Guanajuato and gold, lead and zinc at Topia.

EBITDA and Adjusted EBITDA

EBITDA is a non-IFRS measure that represents an indication of the Company's continuing capacity to generate income from operations before taking into account management's financing decisions and costs of consuming capital assets, which vary according to their vintage, technological currency, and management's estimate of their useful life. Accordingly, EBITDA, as set out by the CICA's Canadian Performance Reporting Board ("CPRB"), comprises revenue less operating expenses before interest expense, capital asset amortization and impairment charges, and income taxes.

Adjusted EBITDA has been included in this document. Under IFRS, entities must reflect in compensation expense the cost of stock-based compensation. In the Company's circumstances, stock-based compensation involves a significant accrual of amounts that will not be settled in cash but are settled by the issuance of shares in exchange. As such, the Company has made an entity-specific adjustment to EBITDA for these expenses.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to the 2011 and 2010 financial statements:

	2011 Q2	2010 Q2	2011 YTD	2010 YTD
Income (loss) for the period	$ 2,501	$ 4,368	$ 9,510	$ 5,345
Provision (recovery) of income taxes	143	(3,048)	222	(2,100)
Interest expense	24	273	291	522
Amortization and depletion of mineral properties, plant and equipment	448	876	1,490	1,881
EBITDA	3,116	2,469	11,513	5,648
Stock-based compensation	-	16	-	16
Adjusted EBITDA	$ 3,116	$ 2,485	$ 11,513	$ 5,664

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, we had working capital of $51.9 million and cash and cash equivalents of $36.8 million compared to working capital of $18.8 million and cash and cash equivalents of $14.0 million at December 31, 2010.

We plan to produce 2.87 million Ag eq oz in 2011 and invest $13 million in capital expenditures and $11 million in mineral property exploration expenditures (which are capitalized). These investments in 2011 will include additional equipment, plant upgrades and an extensive exploration drilling program. Management anticipates that cash flow generated from mining activities along with working capital will be sufficient to fund our operations without requiring any additional capital during the next twelve months.

At the date of this MD&A, we had no material off-balance sheet arrangements such as obligations under guarantee contracts, contingent interest in assets transferred to any unconsolidated entity, obligations under certain derivative instruments, or obligation under a material variable interest held in any unconsolidated entity that provides financing, liquidity, market or credit risk.

Operating Activities

Cash flows provided by operating activities were $2.2 million and $4.9 million for the three and six months ended June 30, 2011, compared to cash flows provided by operating activities of $5.5 million and $3.7 million during the corresponding periods in 2010. The decrease is mainly attributable to delayed shipments of concentrate from Guanajuato which has resulted in higher concentrate inventory and accounts receivable balances at the end of the quarter.

Investing Activities

For the three and six months ended June 30, 2011, we had net cash outflows from investing activities, primarily for the development of mineral properties and purchase of capital assets, of $5.0 million and $9.3 million, respectively, compared to net cash outflows of $3.6 million and $6.3 million for the three and six months ended June 30, 2010, respectively.

We plan to invest $24 million in capital expenditures, including $11 million in capitalized mineral property exploration expenditures, in 2011.

Financing Activities

Cash flows provided by financing activities were $24.6 million and $27.2 million, respectively, for the three and six months ended June 30, 2011. Cash flows used in and provided by financing activities for the three and six months ended June 30, 2010 were $0.2 million and $0.4 million, respectively. On April 12, 2011, we closed a bought deal financing with a syndicate of underwriters for net proceeds of $22.5 million. During the quarter we also received proceeds from the exercise of warrants and options and repaid the remaining balance of the promissory notes.

OUTLOOK

We continue to work towards achieving the goals of our 3-year (2010-12) growth strategy for our two operations. Key to the success of the growth strategy is the delineation of new NI 43-101 compliant Mineral Resources and drilling is being accelerated in 2011 to achieve these goals for 2012. The addition of new production areas from the increased development in the first two quarters, together with better grade control are anticipated to lead to increased mine output and higher grades in the second half of 2011. The recent drop in ore grades at both operations is being addressed as the cost per ounce at both mines is sensitive to grade. The 2012 mine plans will be confirmed once the drill results for the current programs have been interpreted, and mineral resources are updated.

NI 43-101 compliant Mineral Resource for Topia support current and future mine expansions and the plant capacity has been increased to accommodate the planned expansions. NI 43-101 resource estimates for Guanajuato support medium term production goals and plant capacity has already exceeded what is required to achieve these. Our published resources did not include estimates for the Guanajuatito area and the San Ignacio property. The new NI 43-101 Mineral Resource estimates for San Ignacio and Guanajuatito are being prepared for release later this year while the resources for other areas of Guanajuato will be updated as new drilling data is interpreted.

As noted in the “Recent Developments” section, in response to delays in shipments of concentrate from our Guanajuato mine stemming from issues with our metal trader’s smelter, we have been working directly with other metal traders and smelters to sell the balance. Consequently, we have reached a new agreement with another mine operator in Mexico, whereby they will process the majority of our Guanajuato concentrates on a monthly basis. We expect that this new arrangement, together with the existing contract, will allow us to sell the concentrate inventory on hand at Guanajuato through the balance of 2011.

TRANSACTIONS WITH RELATED PARTIES

We entered into the following transactions with related parties:

	2011 Q2	*2010 Q2*	*2011 YTD*	*2010 YTD*
Consulting fees paid or accrued to companies controlled by directors of the Company	$ 188	$ 150	$ 367	$ 277
Consulting fees paid or accrued to a company controlled by an officer of the Company	$ 39	$ 22	$ 93	$ 96
Director fees paid or accrued to companies controlled by directors of the Company	$ -	$ 18	$ -	$ 35
Office and administration fees paid or accrued to a company controlled by a director of the Company	$ 21	$ 21	$ 43	$ 44
Cost recoveries received or accrued from a company with a common director of the Company	$ -	$ 16	$ -	$ 51

As at June 30, 2011, $59 (December 31, 2010 – $167) was due to companies controlled by our officers and directors and was included in accounts payable. Amounts due from companies with a common director were $126 (December 31, 2010 – $75) and were included in trade and other receivables.

The above transactions occurred in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the parties.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing financial statements in accordance with International Financial Reporting Standards ("IFRS"), we are required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. These critical accounting estimates represent management estimates that are uncertain and any changes in these estimates could materially impact the Company's financial statements. We continuously review our estimates and assumptions using the most current information available.

As these are our financial statements using IFRS, readers should refer to Note 3 of the condensed consolidated interim financial statements for the second quarter ended June 30, 2011, for our critical accounting policies and estimates.

CHANGES IN ACCOUNTING POLICIES

First Time Adoption of International Financial Reporting Standards

Following the February 13, 2008 Canadian Accounting Standards Board ("AcSB") requirement for publicly listed entities to prepare interim and annual financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2011, the Company prepared its condensed consolidated interim unaudited financial statements for the three and six months ended June 30, 2011 using IFRS. Due to the requirement to present comparative financial information, the Company restated its statement of financial position as at January 1, 2010 ("transition date").

Notes 2 and 14 to the accompanying condensed consolidated interim unaudited financial statements provide a complete analysis of the impact of the transition from Canadian GAAP to IFRS on the Company's financial position, and detail the Company's elected optional exemptions applied under IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

Transitional Financial Impact

As a result of the accounting policy choices selected and the changes required to be made under IFRS, the Company recorded an increase in shareholder's equity of $3.6 million as at January 1, 2010.

The following table is a summary of the adjustments made to shareholders' equity as at December 31, 2010, June 30, 2010 and January 1, 2010 on adoption of IFRS as outlined in the notes to the condensed consolidated interim unaudited financial statements, expressed in thousands of Canadian dollars.

	January 1 2010	***June 30 2010***	***December 31 2010***
Total shareholders' equity reported under Canadian GAAP	**$ 26,856**	**$ 27,506**	**$ 35,553**
Increases (decreases) net of tax:			
Mine development costs	4,150	6,256	9,518
Reclamation and remediation provision	(475)	(936)	(1,091)
Convertible notes	253	182	76
Deferred tax liabilities	(344)	-	-
Total IFRS adjustments to shareholders' equity	3,584	5,502	8,503
Shareholders' equity under IFRS	**$ 30,440**	**$ 33,008**	**$ 44,056**

Comprehensive Income Impact

As a result of the accounting policy choices selected and the changes required to be made under IFRS, the Company has also recorded a reduction in total comprehensive income of approximately $1.9 million for the six months ended June 30, 2010 and an increase of approximately $4.9 million for the year ended December 31, 2010.

The following table is a summary of the adjustments made to comprehensive income for the six months ended June 30, 2010 and the year ended December 31, 2010 on adoption of IFRS (outlined in the notes to the condensed consolidated interim unaudited financial statements), expressed in thousands of Canadian dollars.

	3 months ended June 30 2010	*6 months ended June 30 2010*	*Year ended December 31 2010*
Total comprehensive income (loss) as reported under Canadian GAAP	**$ 1,896**	**$ (333)**	**$ 1,935**
Increases (decreases) in respect of:			
Mine development costs	1,625	2,548	5,826
Reclamation and remediation provision	(48)	(412)	(303)
Convertible notes	(41)	(71)	(179)
Cumulative translation adjustment	(48)	(491)	(771)
Deferred tax liabilities	1,227	344	346
Total IFRS adjustments to comprehensive income	2,715	1,918	4,919
Total comprehensive income as reported under IFRS	**$ 4,611**	**$ 1,585**	**$ 6,854**

Cash Flow Impact

The transition from Canadian GAAP to IFRS had no material impact on cash flows and no reclassifications other than capitalized exploration costs which have been reclassified from operating to financing.

Internal Controls Over Financial Reporting

We have identified and implemented the required accounting process changes that resulted from the application of IFRS accounting policies and these changes were not significant. The existing control framework has been applied to the IFRS changeover process and any changes in control have been implemented. All accounting policy changes, transitional exemption elections and transitional financial position impacts were subject to review by senior management and the Audit Committee of the Board of Directors.

Financial Information Systems

The IFRS transition project did not have a significant impact on the financial information systems for the convergence periods, nor is it expected that significant changes are required in the post-convergence periods.

FUTURE ACCOUNTING PRONOUNCEMENTS

The following are accounting standards anticipated to be effective January 1, 2013:

Presentation of items of other comprehensive income ("OCI")

IAS 1 is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is effective for annual periods beginning on or after July 1, 2012. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Financial instruments

The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") in its entirety with IFRS 9 *Financial Instruments* ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April of 2011. The complete IFRS 9 is anticipated to be issued during the second half of 2011. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Consolidation

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supercedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Joint Arrangements

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Disclosure of Involvement with Other Entities

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

Fair Value Measurement

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based*

Payment; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

SUBSEQUENT EVENTS

Purchase of Silver-Gold Project in Guanajuato

On July 18, 2011, we announced the acquisition of four mining concessions, totaling 1,514 hectares, approximately 10 to 15 kilometres northeast of Guanajuato. The four claims were purchased for US$1.5 million with 50% payable on signing of the purchase agreement and 50% on the registration of the contract with the Direccion General de Minas (Mexico). A royalty of 1.3% is payable to the seller from ore produced from the four claims.

Securities outstanding

At the date of this MD&A, we had 134,233,008 common shares issued and 3,199,154 warrants and 1,843,000 options outstanding.

Fully diluted, the issued and outstanding shares of Great Panther would be 139,275,162.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial preparation and presentation.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to affect our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Certain information set forth in this document includes forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Great Panther's control, including but not limited to: risks and uncertainties relating to the interpretation and assumptions used in calculating resource estimates; the execution and outcome of current or future exploration activities; information included or implied in the various independently produced and published technical reports; anticipated drilling and resource estimation plans; differences in actual recovery rates, grades, and tonnage from those expected; the inherent uncertainty of production and cost estimates, risks and uncertainties relating to timing and amount of estimated future production, capital expenditures and cash flows; risks relating to our ability to obtain adequate financing for our planned activities and to complete further exploration programs; foreign currency fluctuations; commodity price fluctuations; risks related to governmental regulations, including environmental regulations and other general market and industry conditions as well as those factors discussed in the section entitled "Key Information – Risk Factors" in Great Panther's Annual Information Form for the year ended December 31, 2010 and in each management discussion and analysis, available on SEDAR at http://www.sedar.com.

Although Great Panther has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Great Panther's actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Great Panther will derive from them. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and as such, undue reliance should not be placed on forward-looking statements.

We disclaim any intention and assume no obligation to update any forward-looking statements, even if new information becomes available, as a result of future events or for any other reason.

ADDITIONAL SOURCES OF INFORMATION

Additional information relating to Great Panther Silver Limited can be found on SEDAR at http://www.sedar.com and EDGAR at http://www.sec.gov/edgar.shtml or our website at http://www.greatpanther.com.