GREAT PANTHER SILVER LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2011 and 2010

Expressed in Canadian Dollars

GREAT PANTHER SILVER LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Thousands of Canadian Dollars, except per share data)

September 30, 2011, December 31, 2010 and January 1, 2010 (Unaudited)

	September 30, 2011	December 31, 2010	January 1, 2010
		(Note 14)	(Note 14)
Assets			
Current assets:			
Cash and cash equivalents	$ 35,074	$ 13,967	$ 13,312
Restricted cash	120	151	-
Investments	49	200	23
Trade and other receivables (note 4)	14,612	9,635	5,539
Income taxes recoverable	296	239	342
Inventories (note 5)	6,636	2,615	1,438
Prepaid expenses, deposits and advances	1,868	1,240	1,585
	58,655	28,047	22,239
Non-current assets:			
Mineral properties, plant and equipment (note 6)	36,345	27,277	19,212
Intangible assets	513	127	102
	36,858	27,404	19,314
	$ 95,513	$ 55,451	$ 41,553
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	$ 4,664	$ 4,758	$ 2,631
Capital lease obligations (note 12)	208	369	801
Promissory notes (note 7(a))	-	373	122
Convertible loan notes (note 7(b))	-	3,716	-
Current tax liability	-	19	27
	4,872	9,235	3,581
Non-current liabilities:			
Capital lease obligations (note 12)	-	128	63
Promissory notes (note 7(a))	-	77	118
Convertible loan notes (note 7(b))	-	-	3,103
Reclamation and remediation provision	1,758	1,955	2,086
Deferred tax liability	-	-	2,162
	1,758	2,160	7,532
Shareholders' equity:			
Share capital (note 8)	117,601	83,470	75,910
Reserves	5,378	7,607	12,211
Deficit	(34,096)	(47,021)	(57,681)
	88,883	44,056	30,440
	$ 95,513	$ 55,451	$ 41,553

Nature of operations (note 1)
Commitments and contingencies (note 12)

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 per share data)

For the three and nine months ended September 30, 2011 and 2010 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
		(Note 14)		(Note 14)
Revenue	$ 16,278	$ 11,165	$ 40,298	$ 28,397
Cost of sales:				
Cost of sales	6,581	5,367	16,605	14,801
Amortization and depletion of mineral properties, plant and equipment	1,377	1,119	2,809	2,976
	7,958	6,486	19,414	17,777
Gross profit	8,320	4,679	20,884	10,620
General and administrative expenses (note 8)	2,134	1,550	5,505	4,169
Finance and other income (expenses):				
Interest income	128	40	289	83
Finance costs (note 10)	(17)	(283)	(308)	(805)
Foreign exchange gain (loss)	(3,143)	303	(2,498)	706
Other income (expense)	153	(130)	177	(131)
	(2,879)	(70)	(2,340)	(147)
Income before income taxes	3,307	3,059	13,039	6,304
Income tax recovery (expense):				
Current income tax recovery (expense)	108	(9)	(114)	(107)
Deferred income tax recovery	-	-	-	2,198
	108	(9)	(114)	2,091
Income for the period	3,415	3,050	12,925	8,395
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	(223)	(634)	(721)	(4,287)
Net change in fair value of available-for-sale financial assets	(28)	-	(134)	(107)
	(251)	(634)	(855)	(4,394)
Comprehensive income for the period	$ 3,164	$ 2,416	$ 12,070	$ 4,001
Earnings per share				
Basic	$ 0.03	$ 0.03	$ 0.10	$ 0.07
Diluted	$ 0.02	$ 0.03	$ 0.10	$ 0.07
Weighted average number of common shares				
Basic (note 8(e))	134,513,598	114,049,485	129,226,764	113,332,904
Diluted (note 8(e))	137,834,462	115,752,734	134,491,829	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 per share data)

For the nine months ended September 30, 2011 and 2010 (Unaudited)

	Share Capital		Reserves					Deficit	Total shareholders' equity
	Number of shares	Amount	Share option and warrants	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	484	(9)	-	-	-	(9)	-	473
Stock options exercised	2,236,025	1,542	(202)	-	-	-	(202)	-	1,341
Share issuance cost	-	(32)	-	-	-	-	-	-	(32)
Share-based payments	-	-	16	-	-	-	16	-	16
Comprehensive income for the period	-	-	-	(4,287)	-	(107)	(4,394)	8,395	4,001
Balance at September 30, 2010	114,763,912	$ 77,904	$ 10,073	$ (4,287)	$ 1,966	$ (130)	$ 7,622	$ (49,286)	$ 36,239
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 8(e))	4,507,146	4,295	(239)	-	-	-	(239)	-	4,056
Stock options exercised (note 8(d))	3,089,000	3,670	(1,362)	-	-	-	(1,362)	-	2,308
Extinguishment of convertible loan notes (note 7(b))	1,800,000	4,050	1,809	-	(1,966)	-	(157)	-	3,893
Short form prospectus financing (note 8(c))	5,750,000	22,116	384	-	-	-	384	-	22,500
Comprehensive income for the period	-	-	-	(721)	-	(134)	(855)	12,925	12,070
Balance at September 30, 2011	135,059,912	$ 117,601	$ 10,062	$ (4,517)	$ -	$ (167)	$ 5,378	$ (34,096)	$ 88,883

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 per share data)

For the three and nine months ended September 30, 2011 and 2010 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010 (Note 14)	2011	2010 (Note 14)
Cash flows provided by operating activities:				
Income for the period	$ 3,415	$ 3,050	$ 12,925	$ 8,395
Items not involving cash:				
Amortization and depletion expenses	1,413	1,054	2,903	3,014
Unrealized foreign exchange (gains) losses	2,006	32	2,198	42
Deferred tax liability	-	-	-	(2,197)
Accretion on reclamation and remediation provision (note 10)	11	10	34	33
Share-based payments (note 9)	-	272	-	288
Interest accretion on convertible loan notes (note 10)	-	240	239	522
Loss (gain) on disposal of capital assets	-	-	-	1
Shares received for mineral property and capital expenditures	-	-	-	(23)
	6,845	4,658	18,299	10,075
Changes in non-cash operating working capital:				
Trade and other receivables	(3,222)	(2,134)	(4,977)	(3,683)
Income taxes recoverable	(36)	42	(57)	165
Inventories	748	(193)	(3,079)	(987)
Prepaid expenses, deposits and advances	223	808	(628)	543
Trade and other payables, including derivatives	(147)	(103)	(94)	606
Current tax liability	(128)	-	(19)	57
Net cash provided by operating activities	4,283	3,078	9,445	6,776
Cash flows used in investing activities:				
Intangible assets	(133)	-	(454)	(32)
Mineral properties and capital expenditures	(6,314)	(4,493)	(15,726)	(11,001)
Restricted cash	(14)	(154)	31	(154)
Net cash used in investing activities	(6,461)	(4,647)	(16,149)	(11,187)
Cash flows from financing activities:				
Repayment of capital lease obligations (note 12)	(65)	(273)	(287)	(720)
Repayment of promissory notes (note 7(a))	-	(100)	(448)	(222)
Repayment of convertible loan notes (note 7(b))	-	(81)	(61)	(81)
Proceeds from exercise of options (note 8(c))	394	543	2,308	1,069
Proceeds from exercise of warrants (note 8(d))	505	-	4,056	473
Issuance of shares for cash, net of issue costs	-	-	22,500	(32)
Net cash provided by financing activities	834	89	28,068	487
Effect of exchange rate changes on cash and cash equivalents	(342)	(39)	(257)	(24)
Increase (decrease) in cash and cash equivalents	(1,686)	(1,519)	21,107	(3,948)
Cash and cash equivalents, beginning of period	36,760	10,883	13,967	13,312
Cash and cash equivalent, end of period	$ 35,074	$ 9,364	$ 35,074	$ 9,364

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. Amongst 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.

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"). As these IFRS condensed consolidated interim financial statements are for part of the period covered by the first IFRS annual financial statements IFRS 1 First-time Adoption of International Fiancial Reporting Standards has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

Reconciliations between the Company's previously reported statements of financial position, statements of comprehensive income (loss), and statements 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 November 10, 2011.

(b) Basis of consolidation

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

2. Basis of presentation (continued)

Minera de Villa Seca, S.A. de C.V., and New Age Investments Inc. 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:

- 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.

(e) Translation of foreign currency transactions

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.

(f) 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

2. Basis of presentation (continued)

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.

(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 which approximates net realizable value. 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 expenditures

Exploration and evaluation expenditures incurred on grassroots projects and on new mineral properties are expensed as incurred as mineral property exploration expenditures in the statement of comprehensive income. Such expenditures will continue to be expensed until the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable and management has made a decision to proceed with development of the property. At that point, further costs incurred are capitalized as mineral properties. Examples of exploration and evaluation expenditures that are expensed under this policy include: 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.

The fair value at acquisition date of property or exploration rights acquired either through a business combination or asset acquisition is capitalized. These exploration and evaluation expenditures are classified as tangible assets within Mineral properties, plant and equipment.

3. Significant accounting policies (continued)

(d) Mineral properties, plant and equipment

When the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable and management has made a decision to proceed with development, costs incurred to develop such property are capitalized as mine development costs.

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 September 30, 2011, the Company did not have a reliable estimate of reserves and therefore did not use the units-of-production method.

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.

Equipment 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.

3. Significant accounting policies (continued)

(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.

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

3. Significant accounting policies (continued)

recorded at fair value each period until final settlement occurs with changes in fair value classified as a component of revenue.

(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 are recognized in the statement of comprehensive income when determined.

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. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss. In the case of cash flow hedge transactions, that qualify for hedge accounting treatment, gains and losses would be recognized in other comprehensive income if designated as hedges for accounting purposes. 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 other comprehensive income until the assets are disposed of.

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 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.

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.

(o) Segment reporting

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive office and the executive management team (the chief operating decision maker or "CODM") in assessing performance and in determining allocation of resources. The CODM considers the business from both a geographic and product perspective and assesses the performace of the operating segments based on measures such as net property, plant and equipment as well as operating results. All operating segments' operating results are reviewed regularly by the Company's senior management to make decisions about resources 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

	September 30, 2011	December 31, 2010	January 1, 2010
Trade accounts receivable	$ 11,077	$ 5,151	$ 3,472
Value added tax recoverable	3,454	4,399	2,024
Other	313	317	251
	14,844	9,867	5,747
Allowance for doubtful accounts	(232)	(232)	(208)
	$ 14,612	$ 9,635	$ 5,539

The Company, through its Mexican subsidiaries, pays 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.

5. Inventories

	September 30, 2011	December 31, 2010	January 1, 2010
Finished product	$ 4,918	$ 831	$ 410
Ore stockpile	161	370	80
Materials and supplies	1,189	993	681
Silver bullion	368	421	267
	$ 6,636	$ 2,615	$ 1,438

6. Mineral properties, plant and equipment

At September 30, 2011, the Company has mineral properties, plant and equipment assets of $36.3 million compared to $27.3 million at December 31, 2010. The company invested primarily in mine development, exploration and purchase of capital assets at its Guanajuato and Topia mines. In addition, the Company acquired rights to a new silver-gold project, the Santa Rosa Project, for $1.4 million.

7. 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 bore interest at 6% per annum, compounded and calculated semi-annually and were 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 nine months ended September 30, 2011 was $8 (2010 - $21).

(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 liability component was valued using a company specific interest rate assuming no conversion feature existed.

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 note holders exercised their option to convert the two convertible notes into equity. In accordance with the financing agreement, the Company issued 1,800,000 fully paid common shares at the conversion price of $2.25 per common share.

8. 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: 135,059,912 (December 31, 2010 – 119,913,766)

Preferred shares: Nil (2010 – Nil)

(c) Financing

On April 12, 2011, the Company closed a bought deal financing with a syndicate of underwriters for $22.5 million in proceeds, net of issuance costs. 5,750,000 common shares were issued at a price of $4.20 per share.

(d) Stock options:

The Company 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 Exchanges 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.

8. Share capital (continued)

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

Exercise Price	Expiry date	Balance December 31, 2010	Granted	Cancelled	Expired	Exercised	Balance September 30, 2011
0.90	January 5, 2011	125,000	-	-	-	(125,000)	-
0.45	February 8, 2014	1,988,000	-	-	-	(1,183,000)	805,000
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	-	-	-	(650,000)	315,000
0.90	February 29, 2012	90,000	-	-	-	(90,000)	-
0.90	December 2, 2014	337,500	-	-	-	(175,500)	162,000
0.90	July 11, 2015	245,000	-	-	-	(127,000)	118,000
1.15	October 17, 2015	105,000	-	-	-	(53,500)	51,500
1.90	November 21, 2015	415,000	-	-	-	(325,000)	90,000
		4,630,500	-	-	-	(3,089,000)	1,541,500
Weighted average exercise price		$ 0.73	-	-	-	$ 0.75	$0.69

As at September 30, 2011, all share options are fully vested. The weighted average remaining contractual life of the options outstanding as at September 30, 2011 is 2.83 years.

The continuity of common stock options for the year ended December 31, 2010 is as follows:

Exercise Price	Expiry date	Balance January 1, 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 were fully vested. The weighted average remaining contractual life of the options outstanding as at December 31, 2010 was 3.25 years.

(d) Warrants:

The continuity of warrants for the nine months ended September 30, 2011 is as follows:

Series	Exercise price	Expiry date	Balance December 31, 2010	Issued	Exercised	Expired	Balance September 30, 2011
SFPO Warrants	0.90	November 17, 2011	6,315,650	-	(3,958,150)	-	2,357,500
Agent Warrants	0.90	November 17, 2011	548,996	-	(548,996)	-	-
Underwriters' Warrants	4.20	April 12, 2013	-	316,250	-	-	316,250
			6,864,646	316,250	(4,507,146)	-	2,673,750

The Underwriters' warrant were valued using the Black Scholes model. The assumptions used for the valuation of the Underwriters' warrants were a risk-free interest rate of 1.85%, volatility of 76.7%, dividends paid of 0.0%, grant price of $4.20 per share, and an expected life of the option of 1.24 years.

The continuity of warrants for the year ended December 31, 2010 was as follows:

Series	Exercise price	Expiry date	Balance January 1, 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 September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Basic weighted average number of shares outstanding	134,513,598	114,049,485	129,226,764	113,332,904
Effect of dilutive securities				
Stock options	1,403,214	1,703,249	2,009,506	2,212,338
Warrants	1,917,650	-	3,255,559	45,193
Diluted weighted average number of shares outstanding	137,834,462	115,752,734	134,491,829	115,590,435

9. General and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
General and administrative	$ 2,098	$ 1,265	$ 5,411	$ 3,844
Amortization and depreciation	36	13	94	37
Share-based payments	-	272	-	288
	$ 2,134	$ 1,550	$ 5,505	$ 4,169

10. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Interest accretion on convertible loan notes	$ -	$ 241	$ 239	$ 685
Interest expense	-	10	8	22
Lease interest	6	22	27	65
Accretion on reclamation and remediation provision	11	10	34	33
	$ 17	$ 283	$ 308	$ 805

11. Related party transactions

The Company entered into the following transactions with related parties:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Consulting fees paid or accrued to companies controlled by directors of the Company	$ 101	$ 119	$ 438	$ 396
Consulting fees paid or accrued to companies controlled by officers of the Company	$ 60	$ 37	$ 153	$ 133
Director fees paid or accrued to directors or companies controlled by directors of the Company	$ -	$ 18	$ -	$ 53
Cost recoveries received or accrued from a company with a common director of the Company	$ -	$ -	$ -	$ 51
Office and administration fees paid or accrued to a company controlled by a director of the Company	$ 21	$ 21	$ 64	$ 65

As at September 30, 2011, $34 (December 31, 2010 - $167) was due to companies controlled by officers and directors of the Company and was included in trade and other payables. Amounts due from companies with common directors were $32 (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.

12. Commitments

As of September 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	$ 3,414	$ 3,414	$ -	$ -
Operating lease payments	281	149	132	-
Equipment purchases with third party vendors[1]	211	211	-	-
Environmental program[2]	287	287	-	-
Consulting	42	42	-	-
Total commitments	$ 4,235	$ 4,103	$ 132	$ -

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

[2]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 $2,895 to certain officers and management in the event that there is a change of control of the Company.

13. 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 September 30, 2011						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 11,273	$ 5,005	$ -	$ -	$ 16,278	$ -	$ 16,278
Income (loss) before income taxes	6,019	2,543	(197)	(3,184)	5,181	(1,874)	3,307
Total assets	$ 34,297	$ 16,741	$ 56	$ 8,699	$ 59,793	$ 35,720	$ 95,513

	Three months ended September 30, 2010						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 7,482	$ 3,683	$ -	$ -	$ 11,165	$ -	$ 11,165
Income (loss) before income taxes	3,411	1,340	(28)	(248)	4,475	(1,416)	3,059
Total assets	$ 18,180	$ 16,439	$ 69	$ 5, 502	$ 40,190	$ 7,622	$ 47,812

	Nine months ended September 30, 2011						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 26,023	$ 14,275	$ -	$ -	$ 40,298	$ -	$ 40,298
Income (loss) before income taxes	14,812	6,507	(316)	(3,446)	17,557	(4,518)	13,039
Total assets	$ 34,297	$ 16,741	$ 56	$ 8,699	$ 59,793	$ 35,720	$ 95,513

	Nine months ended September 30, 2010						
	Mexico					Canada	
	Guanajuato	Topia	Other	Corporate	Total	Corporate	Total
External mineral sales	$ 18,828	$ 9,569	$ -	$ -	$ 28,397	$ -	$ 28,397
Income (loss) before income taxes	7,613	3,065	(15)	(351)	10,312	(4,008)	6,304
Total assets	$ 18,180	$ 16,439	$ 69	$ 5, 502	$ 40,190	$ 7,622	$ 47,812

13. Operating segments (continued)

Product Revenue:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Silver	$ 12,900	$ 8,304	$ 32,671	$ 21,166
Gold	3,360	2,396	6,888	5,618
Lead	474	544	1,470	1,622
Zinc	483	397	1,477	1,147
Copper	-	-	7	-
Ore processing revenues	207	125	557	408
Smelter and refining charges	(1,146)	(601)	(2,772)	(1,563)
	$ 16,278	$ 11,165	$ 40,298	$ 28,398

For the nine months ended September 30, 2011, the Company had four customers of which three accounted for 90% of total revenues. Of the total trade accounts receivable balance of $11,077 as at September 30, 2011, 95% relates to these three customers (note 4). For the nine months ended September 30, 2011, the Guanajuato and Topia segments each had two customers, accounting for revenues of 69% and 31%, respectively.

14. Transition to IFRS

An explanation of how the transition from Canadian 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 3 have been applied in preparing the condensed consolidated interim financial statements for the three and nine months ended September 30, 2011, the comparative information for the three and nine months ended September 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 condensed consolidated interim financial statements for the three and nine months ended September 30, 2011, comparative information for the three and nine months ended September 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.

14. Transition to IFRS (continued)

- 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.

Reconciliation of assets, liabilities and shareholders' equity

		As at January 1, 2010			As at September 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	$ 9,364	$ -	$ 9,364	$ 13,967	$ -	$ 13,967
Restricted cash		-	-	-	154	-	154	151	-	151
Investments		23	-	23	106	-	106	200	-	200
Trade and other receivables		5,539	-	5,539	9,055	-	9,055	9,635	-	9,635
Income taxes recoverable		342	-	342	177	-	177	239	-	239
Inventories		1,438	-	1,438	2,537	-	2,537	2,615	-	2,615
Prepaid expenses, deposits and advances		1,585	-	1,585	1,037	-	1,037	1,240	-	1,240
		22,239	-	22,239	22,430	-	22,430	28,047	-	28,047
Non-current assets:										
Mineral properties, plant and equipment	a,b,c	14,935	4,277	19,212	16,875	8,373	25,248	17,538	9,739	27,277
Intangible assets	c	-	102	102	-	134	134	-	127	127
		14,935	4,379	19,314	16,875	8,507	25,382	17,538	9,866	27,404
		$ 37,174	$ 4,379	$ 41,553	$ 39,305	$ 8,507	$ 47,812	$ 45,585	$ 9,866	$ 55,451
Liabilities and Shareholders' Equity										
Current liabilities:										
Trade and other payables, including derivatives		$ 2,631	$ -	$ 2,631	$ 4,517	$ -	$ 4,517	$ 4,758	$ -	$ 4,758
Capital lease obligations		801	-	801	574	-	574	369	-	369
Promissory notes		122	-	122	377	-	377	373	-	373
Convertible loan notes	d	-	-	-	3,678	(133)	3,545	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	9,230	(133)	9,097	9,311	(76)	9,235
Non-current liabilities:										
Capital lease obligations		63	-	63	225	-	225	128	-	128
Promissory notes		118	-	118	158	-	158	77	-	77
Convertible loan notes	d	3,356	(253)	3,103	-	-	-	-	-	-
Reclamation and remediation provision	b	1,382	704	2,086	770	1,322	2,092	516	1,439	1,955
Deferred tax liability	e	1,312	850	2,162	-	-	-	-	-	-
		6,231	1,301	7,532	1,153	1,322	2,475	721	1,439	2,160
Shareholders' equity:										
Share Capital		75,910	-	75,910	77,904	-	77,904	83,470	-	83,470
Reserves	d	11,808	403	12,211	7,692	(70)	7,622	7,975	(368)	7,607
Deficit	a, b, d, e	(60,862)	3,181	(57,681)	(56,674)	7,388	(49,286)	(55,892)	8,871	(47,021)
		26,856	3,584	30,440	28,922	7,318	36,240	35,553	8,503	44,056
		$ 37,174	$ 4,379	$ 41,553	$ 39,305	$ 8,507	$ 47,812	$ 45,585	$ 9,866	$ 55,451

14. Transition to IFRS (continued)

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

		Three months ended September 30, 2010		
	Note	GAAP	Effect of transition	IFRS
Revenue		$ 11,165	$ -	$ 11,165
Cost of sales:				
Cost of sales		5,367	-	5,367
Amortization and depletion of mineral properties, plant and equipment	a, b	779	340	1,119
		6,146	340	6,486
Gross profit		5,019	(340)	4,679
Expenses:				
Amortization and depreciation		13	-	13
Accretion on reclamation and remediation provision	b	42	(42)	-
Mineral property exploration expenditures	a	2,160	(2,129)	31
General and administrative		1,234	-	1,234
Share-based payments		272	-	272
		3,721	(2,171)	1,550
		1,298	1,831	3,129
Income (expenses):				
Interest income		40	-	40
Interest expense	b	(223)	223	-
Finance costs	b, d	-	(283)	(283)
Foreign exchange gain	b	277	26	303
Loss on derivative instruments		(130)	-	(130)
		(36)	(34)	(70)
Income (loss) before income taxes		1,262	1,797	3,059
Income tax recovery (expense):				
Current income tax recovery (expense)		(9)	-	(9)
Income for the period		1,253	1,797	3,050
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	a, b, e	(652)	18	(634)
Comprehensive income for the period		$ 601	$ 1,815	$ 2,416

14. Transition to IFRS (continued)

		Nine months ended September 30, 2010		
	Note	GAAP	Effect of transition	IFRS
Revenue		$ 28,397	$ -	$ 28,397
Cost of sales:				
Cost of sales		14,801	-	14,801
Amortization and depletion of mineral properties, plant and equipment	a, b	1,718	1,258	2,976
		16,519	1,258	17,777
Gross profit		11,878	(1,258)	10,620
Expenses:				
Amortization and depreciation		37	-	37
Accretion on reclamation and remediation provision	b	161	(161)	-
Mineral property exploration expenditures	a	5,095	(5,077)	18
General and administrative		3,826	-	3,826
Share-based payments		288	-	288
		9,407	(5,238)	4,169
		2,471	3,980	6,451
Income (expenses):				
Interest income		83	-	83
Interest expense	b	(651)	651	-
Finance costs	b, d	-	(805)	(805)
Foreign exchange gain	b	670	36	706
Loss on disposal of capital assets		(1)	-	(1)
Loss on derivative instruments		(130)	-	(130)
		(29)	(118)	(147)
Income before income taxes		2,442	3,862	6,304
Income tax recovery (expense):				
Current income tax recovery (expense)		(107)	-	(107)
Deferred income tax recovery (expense)	e	1,854	344	2,198
Income for the period		4,189	4,206	8,395
Other comprehensive income (loss), net of tax:				
Cumulative translation adjustment	a, b, e	(3,814)	(473)	(4,287)
Net change in fair value of available-for-sale financial assets		(107)	-	(107)
Comprehensive income (loss) for the period		$ 268	$ 3,733	$ 4,001

14. Transition to IFRS (continued)

		For the year ended December 31, 2010		
	Note	Canadian GAAP	Effect of transition	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	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 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 expense		(113)	-	(113)
Deferred income tax recovery	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

14. Transition to IFRS (continued)

Notes to the reconciliations

(a) Mine development costs

Under IFRS, the Company has elected to capitalize costs relating to the development of mineral resources once the technical feasibility and the commercial viability of the extraction of mineral resources in an area of interest are demonstrable and management has made a decision to proceed with the development of a property. Previously under GAAP the Company elected to expense these costs. This resulted in the following increases to Mineral properties, plant and equipment: $4,150 at January 1, 2010, $7,924 at September 30, 2010 and $9,391 at December 31, 2010. The impact on depreciation from this adjustment is discussed below.

(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 applicable discount 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. This IFRS/GAAP difference also resulted in increases revaluations to mineral properties, plant and equipment at September 30, 2010 and at December 31, 2010 of $449 and $348, respectively and increases to reclamation and remediation provision at September 30, 2010 and at December 31, 2010 of $1,322 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.

Depreciation relating to the adjustments in mine development (note (a) above) for the three and nine months ended September 30, 2010 was $329 and $729, respectively. Depreciation relating to the adjustments in reclamation and remediation provision (note (b) above) for the three and nine months ended September 30, 2010 was $11 and $530 and, respectively.

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, $134 at September 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, $133 at September 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 and had different functional and tax currencies prior to January 1, 2010. 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 or liabilities.

(iii) Other Deferred tax adjustments

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 September 30, 2010 of $nil, nine month period ended September 30, 2010 of $344, and year ended December 31, 2010 of $346.

14. Transition to IFRS (continued)

Material adjustments to the Statement of Cash Flows for 2010

Consistent with the Company's accounting policy choice, as discussed in note 14(a), 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.

15. 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

14. Transition to IFRS (continued)

application permitted. IAS 27 and IAS 28 – Investments in Associates were revised and reissued as IAS 27 – Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures to align with the new consolidation guidance. 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.

Stripping Costs in the Production Phase of a Mine

In October of 2011, the IASB issued IFRIC 20 – Stripping Costs in the Production Phase of a Mine, which clarifies the requirements for accounting for costs of stripping activities in the production phase when two benefits accrue: (1) usable ore that can be used to produce concentrate inventory and (2) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual reporting periods beginning on or after January 1, 2013 with earlier application permitted and includes guidance on transition for pre-existing stripping costs. The Company is currently evaluating the impact IFRIC 20 is expected to have on its consolidated financial statements.

GREAT PANTHER SILVER LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011

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This Management's Discussion and Analysis ("MD&A") prepared as of November 10, 2011, reviews the financial condition and results of operations of Great Panther Silver Limited ("Great Panther" or the "Company") for the three and nine month periods ended September 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 three and nine month periods ended September 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 thee months ended September 30, 2011 is the Company's third 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.

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". The Company's 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, the Company 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.

RECENT DEVELOPMENTS

Following four years of rapid growth in metal production, the first nine months of 2011 has been a period of consolidation. Throughput has continued to climb by over 20%, however this has been off-set by a drop in ore grades at both operations. While the lower ore grades at both operations is largely a function of grade variability in the mineralization itself, the ability to predict and control this is being addressed and management expects an improvement in grades in the coming quarters.

Key to the success of the Company's growth strategy is the delineation of new NI 43-101 compliant Mineral Resources and continuous improvements in mine production. To this end, exploration drilling has been accelerated, mineral resources have been added, and further resource updates are expected in the following quarters. The 2012 mine plans will be confirmed once the drill results for the current programs have been interpreted, and mineral resources are updated. Published resources do not include estimates for the Guanajuatito area and these will be included in the upcoming resource update. The Company continues to work towards achieving the goals of its growth strategy for its operations. These goals are to achieve mineral resources totaling 40 million Ag eq oz and an annual metal production of 3.8 million Ag eq oz per annum.

Drilling was accelerated in the first nine months of 2011 at the Guanajuato and Topia mines and, at the San Ignacio advanced exploration property, an initial mineral resource estimate of 4.5 million Ag eq oz has been released. Seven silver-gold mineralized zones, some stretching over the 300 metre strike length of the resource and up to 3 metres true width, have been identified by drilling. The mineralization remains open along the entire 4 kilometre strike length of the property.

The initial NI 43-101 Mineral Resource estimate for San Ignacio comprises Inferred Mineral Resources of 611,000 tonnes at 127g/t silver and 2.05g/t gold (4.5 million Ag eq oz) and covers less than 10% of the property (reference Company news release of October 11th, 2011). Exploratory diamond drilling is being accelerated and planning and permitting is already underway towards commencing underground development in 2012 with production starting in 2013. Further encouraging vein intercepts have been released (reference Company news release of October 19th, 2011), and updates of the mineral resource estimate for San Ignacio will be released on completion and interpretation of each successful phase of drilling.

NI 43-101 compliant Mineral Resource estimates have been published for both the Guanajuato and Topia 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. Mineral Resource estimates for the operations will be updated as the current drill programs are completed.

The published resources for Guanajuato do not include estimates for the Guanajuatito area where drilling has been ongoing for over a year with very encouraging vein intercepts as deep as the 400 metre level. Drilling continues and updates of the mineral resource estimate for Guanajuato, comprising Guanajuatito and the Cata, Santa Margarita and Los Pozos production areas, will be published annually.

High grade silver-gold mineralization has been discovered in an extension of the Cata Mine in the core of the Guanajuato mine complex. The discovery was made during the course of a detailed deep drilling program being conducted at 12.5 to 25 metre intervals from several drill stations in the Cata Mine access ramp at the 510 metre level, the deepest mining development to date. The drilling program, covering an area of approximately 70 metres down-dip and 100 metres along strike, has been successful in extending silver-gold mineralization below the current level of mining and the existing mineral resource/reserve estimate. Highlights of the discovery include Alto 2 zone intersections from UG11-135 that returned 29.44g/t gold and 6,447g/t silver over a width of 3.20 metres, and UG11-137 that returned 7.38g/t gold and 2,114g/t silver over a width of 5.40 metres. The Alto 1a zone in UG11-137 returned 1.82g/t gold and 485g/t silver over a width of 4.80 metres, while the Veta Madre zone in UG11-133 returned 6.02g/t gold and 1,347g/t silver over a width of 2.25 metres. These zones have already been accessed by mine development and management believes that they will contribute to improved grades during the fourth quarter and into 2012.

During the second quarter the Company experienced delays in concentrate shipments from its Guanajuato mine because of issues stemming from its metal trader's smelter. In response to those delays the Company has been working directly with other metal traders and smelters to sell the excess inventory. Consequently, during the third quarter, the Company signed a new agreement to sell the Company's Guanajuato concentrates on a monthly basis and the inventory build-up is being drawn down. The Company expects that these arrangements will enable the sale of the majority of the excess concentrate inventory through the remainder of 2011.The inventory draw-down is having a positive impact on revenues and will ultimately balance out the shortfall experienced in the second quarter.

HIGHLIGHTS OF THIRD QUARTER

Highlights		Q3 2011	Change from Q3 2010		9 Months Ended Sep 30, 2011	Change from 9 Months Ended Sep 30, 2010
Revenue	$	16,278,360	46%	$	40,298,334	42%
Earnings from mining operations	$	8,320,291	78%	$	20,883,741	97%
Net income	$	3,414,641	12%	$	12,924,669	54%
Adjusted EBITDA [(1)]	$	7,880,307	81%	$	18,748,200	93%
Earnings per share - basic	$	0.03	0%	$	0.10	43%
Earnings per share - diluted	$	0.02	-33%	$	0.10	43%
Silver ounces produced (excluding equivalent ounces of gold, zinc and lead)		343,768	-10%		1,140,618	-1%
Silver equivalent ounces produced [(2)]		484,550	-18%		1,654,719	-2%
Silver payable ounces [(3)]		364,684	0%		907,037	-14%
Total cash cost per silver ounce (USD) [(4)]	$	9.02	33%	$	10.02	41%
Average revenue per silver ounce sold	$	35.38	63%	$	36.36	89%

(1) "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, foreign exchange gains or losses, and non-recurring items. Refer to the "Non-IFRS Measures" section for a reconciliation of standardized and adjusted EBITDA to the financial statements.

(2) 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.

(3) Silver payable ounces represent the silver sold during each period. Due to the partial drawdown of concentrate inventory in the third quarter, the silver payable ounces is higher than the silver ounces produced for the period.

4) "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.

Financial

- 46% increase in revenue to $16.3 million from $11.2 million for the third quarter of 2010.
- 78% increase in gross profit (earnings from mining operations) to $8.3 million from $4.7 million for the third quarter of 2010.
- 81% increase in Adjusted EBITDA (refer to "Non-GAAP Measures" below) to $7.9 million.
- 12% increase in net income to $3.4 million compared to the third quarter of 2010.
- Cash and cash equivalents increased to $35.1 million at September 30, 2011, from $14.0 million at December 31, 2010.

Operational

- 16% increase in plant throughput at both operations to 53,375 tonnes from 46,039 tonnes for the three months ended September 2010.
- 18% decrease in overall metal production to 484,550 silver equivalent ounces (“Ag eq oz”) from 588,454 Ag eq oz for the third quarter of 2010.
- 2% decrease in overall metal production to 1.65 million Ag eq oz for the nine-months ended September 30, 2011 compared to a year ago. This decrease is mainly due to lower grades at the Company’s Guanajuato mine during the third quarter of 2011.
- 10% decrease in overall silver production to 343,768 ounces (“Ag oz”) for the quarter ended September 30, 2011 from 382,220 for the same period in 2010.
- 32% decrease in overall gold production to 1,494 ounces for the three months ended September 30, 2011 from 2,201 ounces for the same period in 2010.
- 33% increase in cash cost per silver ounce, net of by-products, for the third quarter of 2011 to US$9.02 from US$6.76 for the third quarter of 2010.
- 24% decrease in overall metal production at Guanajuato to 286,862 Ag eq oz for the quarter ended September 30, 2011 from 378,283 Ag eq oz for the same period in 2010.
- 18% decrease in silver production at Guanajuato to 206,061 ounces for the quarter ended September 30, 2011 as compared to 250,629 ounces for the same period in 2010.
- 6% decrease in overall metal production at Topia to 197,688 Ag eq oz for the quarter ended September 30, 2011 from 210,171 Ag eq oz for the same period in 2010.
- 5% increase in silver production at Topia to 137,707 ounces for the quarter ended September 30, 2011 as compared to 131,591 ounces for the same period in 2010.

Business Development

- 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, subject to a 1.3% NSR, thereby increasing land holdings in Guanajuato by 136%.
- On Aug. 30, 2011, the Company announced the discovery of additional high grade silver-gold mineralization in an extension of the Cata Mine in the core of the Company’s Guanajuato Mine Complex.
- Exploration drilling continues from surface at San Ignacio and Topia with a diamond drilling rig in each location, and, starting in the fourth quarter, a third rig has been added to test for new discoveries at Valenciana and the recently acquired, Santa Rosa property. The Company will be adding a second drilling rig to San Ignacio currently scheduled for the first quarter of 2012.
- Underground drilling continues with four rigs on exploration drilling at Cata, Santa Margarita, Guanajuatito and Valenciana in Guanajuato, and with two small rigs at Topia.

In addition after the end of the third quarter of 2011, the Company announced the following:

- On Oct 11, 2011, the Company reported an initial NI 43-101 compliant mineral resource estimate, comprising Inferred Mineral Resources of 4.5 million Ag eq oz, for its San Ignacio project in Guanajuato.
- On Oct. 19, 2011, the Company extended the strike length of the silver-gold veins at its San Ignacio property in Guanajuato by 50% or 150 metres.

MINE OPERATING RESULTS

Consolidated Operations

	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4
Tonnes milled	53,375	56,643	53,993	48,142	46,039	43,555	44,657	47,121
Production								
Silver ounces	343,768	386,210	410,640	385,022	382,220	410,583	357,132	390,026
Gold ounces	1,494	1,931	2,310	1,943	2,201	1,474	1,598	2,456
Lead tonnes	222	266	241	234	271	297	290	205
Zinc tonnes	294	348	345	304	352	357	345	248
Silver equivalent ounces (1)	484,550	562,944	607,225	565,660	588,454	574,740	526,948	625,288
Silver payable ounces	364,684	193,914	348,439	369,940	364,991	374,631	319,196	363,282
Cash Cost per Ounce (USD) (2)	$ 9.02	$ 11.84	$ 10.05	$ 8.41	$ 6.76	$ 7.70	$ 6.72	$ 4.80

(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.

(2) “Cash cost per 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.

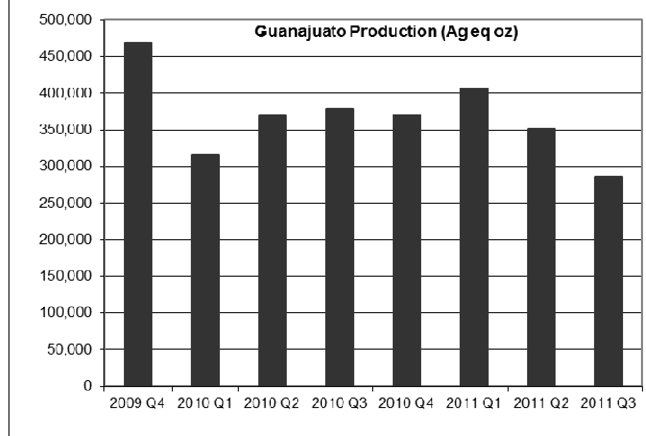
Overall metal production for the third quarter was 484,550 Ag eq oz (comprising 343,768 ounces silver, 1,494 ounces gold, 222 tonnes lead, and 294 tonnes zinc), and represented an 18% decrease as compared to the third quarter of 2010. Ore grades were lower than those realized in prior periods resulting in reduced metal production. However, plant throughput increased by 16% compared to the third quarter of 2010.

For the nine months ended September 30, 2011, the combined metal production was 1.65 million Ag eq oz, a decrease of 2% from the same period in the prior year.

Guanajuato Mine

Plant throughput increased by 23% during the nine months ended September 30, 2011, compared to the same period in 2010, however lower grades resulted in lower metal production on an Ag eq basis.

The Guanajuato operation processed 41,371 tonnes of ore in the third quarter of 2011 (up 16% from the third quarter of 2010), at ore grades of 175g/t Ag and 1.12g/t Au (down 29% and 43%, respectively, from the third quarter of 2010), to produce 206,061 Ag oz and 1,347 Au oz, or 286,862 Ag eq oz (down 24% from the third quarter of 2010).



Metal production for the third quarter declined by 18% from the second quarter of 2011 due to a decrease in tons milled and lower mined grades.

The operation of the five 5.0 cubic metre Outotec flotation cells was commissioned in May and the Guanajuato plant achieved excellent silver and gold recoveries of 88.4% and 90.1%, respectively. Recoveries are expected to increase even further as head grades improve in the coming months.

During the third quarter, the Company sourced and entered into contracts with a Mexican mining company and a Mexican smelter for the sale of the Guanajuato concentrates.

	2011 Q3	*2011 Q2*	*2011 Q1*	*2010 Q4*	*2010 Q3*	*2010 Q2*	*2010 Q1*	*2009 Q4*
Tonnes milled	41,371	44,748	42,980	39,061	35,761	34,379	34,912	39,853
Production								
Silver (ounces)	206,061	242,436	273,421	255,372	250,629	288,825	225,030	287,101
Gold (ounces)	1,347	1,807	2,217	1,835	2,042	1,289	1,453	2,367
Silver equivalent ounces[(1)]	286,862	350,836	406,419	370,062	378,283	369,390	315,820	470,025
Silver payable ounces	251,387	85,427	235,809	240,137	246,344	262,708	204,893	262,430
Average ore grade								
Silver (g/t)	175	193	222	228	248	291	233	271
Gold (g/t)	1.12	1.38	1.75	1.60	1.96	1.35	1.51	2.14
Metal recoveries								
Silver	88.4%	87.4%	89.2%	89.1%	87.8%	89.9%	86.1%	82.6%
Gold	90.1%	90.8%	91.5%	91.1%	90.5%	86.6%	85.5%	86.4%
Concentrate grades								
Silver (g/t)	9,280	10,485	9,797	12,548	10,766	12,252	11,774	13,488
Gold (g/t)	61	78	79	90	88	55	76	111

(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.

Cash cost per ounce of silver (refer to "Non-IFRS Measures" section of this MD&A) at Guanajuato for the three months ended September 30, 2011 of US$6.96 was 30% higher than the US$5.35 realized in the third quarter of 2010. This was due to higher total production costs, lower ore grades and a decline in the value of the US dollar against the Canadian dollar. These factors were partly offset by high by-product revenue as a result of higher gold prices. Third quarter 2011 cash cost per ounce increased by 10% from the second quarter 2011 cost of US$6.32.

	Guanajuato *(In thousands, except cost per ounce)*							
	2011 Q3	*2011 Q2*	*2011 Q1*	*2010 Q4*	*2010 Q3*	*2010 Q2*	*2010 Q1*	*2009 Q4*
CAD Cost of sales	$ 4,405	$ 1,677	$ 3,553	$ 3,922	$ 3,317	$ 3,031	$ 2,956	$ 3,134
Smelting and refining	482	163	449	435	331	242	182	196
CAD Gross by-product revenue (1)	(3,171)	(1,248)	(2,130)	(2,653)	(2,274)	(1,427)	(1,566)	(2,389)
CAD Cash operating costs	**$ 1,716**	**$ 593**	**$ 1,872**	**$ 1,704**	**$ 1,374**	**$ 1,846**	**$ 1,572**	**$ 941**
USD Cash operating costs	$ 1,750	$ 540	$ 1,850	$ 1,681	$ 1,319	$ 1,796	$ 1,513	$ 891
Silver Payable Ounces	$ 251	$ 85	$ 236	$ 240	$ 246	$ 263	$ 205	$ 262
Cash cost per ounce (USD) (2)	**$ 6.96**	**$ 6.32**	**$ 7.85**	**$ 7.00**	**$ 5.35**	**$ 6.83**	**$ 7.38**	**$ 3.40**

(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.

(2) "Cash cost per 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.

Ore grades from Cata, one of the main producing areas, are expected to improve in the fourth quarter. High grade development in the Cata Alto zones will contribute to the improvement. In addition, mining method improvement modifications are being implemented in the Los Pozos stoping areas.

Cata Clavo production improved and contributed 32% of the metals produced, from 11,250 tonnes at ore grades of 232g/t Ag and 0.91g/t Au, to the Company's total metal production. Development on the new 510 metre level accessing the Alto 1 and Veta Madre zones in the third quarter will provide for additional production at higher than average ore grades in fourth quarter of 2011.

Production stoping of the gold-rich Santa Margarita vein contributed 2,580 tonnes at ore grades of 4.0g/t Au, which was temporarily down from an average of 6.0g/t Au, due to additional backfilling requirements. Production from this vein will be increased by year end when a second production level is established on the 475 metre level.

Stoping of the Guanajuatito North Zone continued from the 120 metre level with ore production totaling 2,550 tonnes at grades of 159g/t Ag and 0.80g/t Au.

Underground diamond drilling at Guanajuato totaled 7,084 metres, with 48 holes completed during the quarter. Drilling tested: (1) the potential of the Deep Rayas and Los Pozos areas - 3,626 metres, (2) the Guanajuatito North Zone area - 2,600 metres, (3) the Santa Margarita area - 192 metres, and (4) the Deep Cata area - 578 metres.

Cata drilling included Alto 2 zone intersections from UG11-135 which returned 6,447g/t Ag and 29.44g/t Au over a width of 3.20 metres, and UG11-137 returned 2,114g/t Ag and 7.38g/t Au over a width of 5.40 metre. The Alto 1a zone in UG11-137 returned 485g/t Ag and 1.82g/t Au over a width of 4.80 metres, while the Veta Madre zone in UG11-133 returned 1,347g/t Ag and 6.02g/t Au over a width of 2.25 metres. Underground development has since intersected this zone and has confirmed the excellent grades.

During the third quarter, the Deep Rayas drill rig moved to the Los Pozos area, which has since been moved to the Valenciana area for exploration in the fourth quarter. The Valenciana area has been rehabilitated with drill stations established in order to accommodate the deep drilling program. Drilling to explore the Guanajuatito area will continue. An additional rig is drilling the Santa Margarita inferred resource area and the new, smaller rig will continue drilling 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 was accelerated in the third quarter and will continue this upward trend in the fourth quarter.

On July 18, 2011, the Company announced the acquisition of four mining concessions, totalling 1,514 hectares, approximately 10 to 15 kilometres northeast of Guanajuato (collectively called "the Santa Rosa Project"). 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, the Company is mining on the Veta Madre system at its Guanajuato Mine and exploring on the westerly La Luz system at the San Ignacio project.

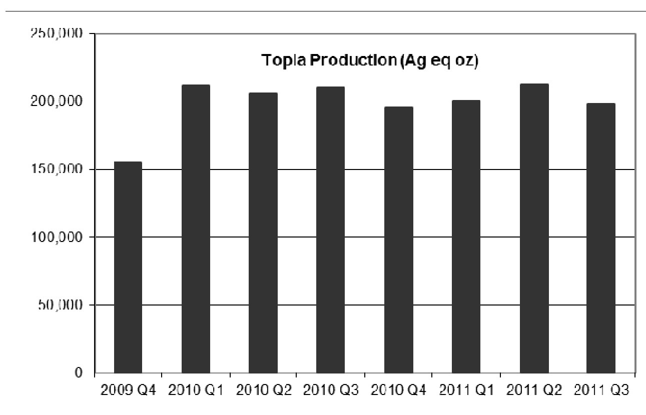
There are numerous past and presently producing mines along the La Sierra system, including AuRico Gold's currently operating El Cubo mine, with 620,000 gold equivalent ounces in reserves (source: AuRico Gold Inc. website). While several old mines, some with multiple levels, are evident on the newly-acquired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

Through the course of due diligence, the Company had 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, the Company has re-commenced geological mapping and rock sampling, while potential drill sites are being permitted 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), which is now complete. A royalty of 1.3% is payable from ore produced from the four claims.

Topia Mine

As a result of the recent expansion of the Topia plant, a quarterly record of 12,004 tonnes was processed in the third quarter of 2011 from the Company's mines in the district. Despite the higher throughput, Topia reported lower metal production due to lower grades and lower metal recoveries. For the third quarter of 2011, Topia reported production of 197,688 Ag eq oz, a decrease of 6% from the same period in the prior year, and a decrease of 7% from the second quarter of 2011.



Despite the decrease in overall metal production, the Topia operation reported an increase in silver production at 137,707 oz for the third quarter of 2011, which is a 5% increase from the same period in 2010. Ore grades averaged 420g/t Ag, 0.47g/t Au, 2.02% Pb and 2.67% Zn.

Silver, gold, lead and zinc recoveries in the third quarter were 85.0%, 80.4%, 91.4% and 91.9%, respectively. Lead concentrate grades of 50.31% Pb and 9,205g/t Ag were achieved while the zinc concentrate averaged 55.49% Zn and 640g/t Ag. In addition to processing the Company's ore, 3,115 tonnes were custom milled for a local miner, thereby increasing revenue and keeping unit costs down.

	2011 Q3	*2011 Q2*	*2011 Q1*	*2010 Q4*	*2010 Q3*	*2010 Q2*	*2010 Q1*	*2009 Q4*
Tonnes milled	12,004	11,895	11,013	9,081	10,278	9,176	9,745	7,268
Production								
Silver (ounces)	137,707	143,774	137,219	129,650	131,591	121,758	132,102	102,925
Gold (ounces)	147	124	93	108	159	185	145	89
Lead (tonnes)	222	266	241	234	271	297	290	205
Zinc (tonnes)	294	348	345	304	352	357	345	248
Silver equivalent ounces[(1)]	197,688	212,108	200,806	195,598	210,171	205,350	211,128	155,263
Silver payable ounces	113,297	108,487	112,630	129,803	118,647	111,923	114,303	100,852
Average ore grade								
Silver (g/t)	420	418	420	485	441	446	459	481
Gold (g/t)	0.47	0.40	0.33	0.46	0.58	0.76	0.63	0.46
Lead (%)	2.02	2.34	2.32	2.78	2.81	3.39	3.20	2.99
Zinc (%)	2.67	3.18	3.42	3.64	3.72	4.22	3.91	3.78
Metal recoveries								
Silver	85.0%	89.9%	92.3%	91.5%	90.2%	92.4%	91.8%	91.6%
Gold	80.4%	81.6%	79.0%	81.5%	82.3%	82.9%	72.8%	83.9%
Lead	91.4%	95.5%	94.1%	92.7%	94.0%	95.4%	93.2%	94.5%
Zinc	91.9%	92.2%	91.5%	91.8%	92.0%	92.2%	90.5%	90.4%
Concentrate grades								
Lead								
Silver (g/t)	9,205	8,463	9,167	8,656	8,355	7,347	7,874	8,786
Gold (g/t)	8.80	6.27	4.93	5.83	8.87	9.63	7.40	6.93
Lead (%)	50.31	53.33	54.61	52.70	57.79	61.01	57.87	58.64
Zinc (%)	10.68	8.65	9.46	7.60	9.12	8.47	9.19	9.24
Zinc								
Silver (g/t)	640	674	687	656	438	491	486	447
Gold (g/t)	1.66	1.44	1.40	1.68	1.51	1.98	1.58	1.01
Lead (%)	0.83	1.50	1.68	1.77	0.96	1.07	1.56	0.91
Zinc (%)	55.49	52.89	54.08	51.14	53.87	53.90	52.57	55.41

(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.

Cost per ounce for Topia for the third quarter of 2011 increased by 40% to US$13.60 from US$9.68 in the same period in the prior year, but decreased by 16% when compared to the US$16.18 during the second quarter of 2011. The increase over the third quarter of 2010 is primarily due to increased smelting and refining costs, higher tonnes milled at a lower grade, a decline in the value of the US dollar against the Canadian dollar, and lower by-product credits.

Topia

(In thousands, except cost per ounce)

	2011 Q3	2011 Q2	2011 Q1	2010 Q4	2010 Q3	2010 Q2	2010 Q1	2009 Q4
CAD Cost of sales	$ 2,177	$ 2,516	$ 2,278	$ 2,438	$ 2,050	$ 1,998	$ 1,449	$ 1,565
Smelting and refining	481	455	557	435	399	399	384	344
CAD Gross by-product revenue (1)	(1,147)	(1,051)	(1,094)	(1,307)	(1,189)	(1,196)	(1,106)	(926)
Cost of custom milling	(92)	(102)	(66)	(119)	(68)	(83)	(68)	(83)
CAD Cash operating costs	**$ 1,417**	**$ 1,818**	**$ 1,675**	**$ 1,447**	**$ 1,192**	**$ 1,118**	**$ 659**	**$ 900**
USD Cash operating costs	$ 1,541	$ 1,756	$ 1,650	$ 1,430	$ 1,149	$ 1,090	$ 632	$ 852
Silver Payable Ounces	$ 113	$ 108	$ 113	$ 130	$ 119	$ 112	$ 114	$ 101
Cash cost per ounce (USD) (2)	**$ 13.60**	**$ 16.18**	**$ 14.65**	**$ 11.02**	**$ 9.68**	**$ 9.74**	**$ 5.53**	**$ 8.45**

(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.

(2) “Cash cost per 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.

Mine development continued to extend known areas and provide access to new mining areas. At the San Gregorio/El Rosario vein operations, exploratory development to access the vein at the 1,630 metre elevation was successful. At the Durangueno mine, the San Gregorio vein is being mined at the 1,475 meter elevation. As there are currently limited mineral resources and no previous exploitation between the 1,475 and 1,660 metre elevations, these developments are expected to add new mineral resources which will replace those being mined.

Exploratory development at the La Prieta mine has also been successful, exposing high grade vein, and ore is now being hauled to the plant. This past producing mine with modest mineral resources and large exploration potential is expected to add a small amount of silver production by year end with more expected in 2012.

A total of 587 metres of underground diamond drilling was completed in 11 diamond core holes during the quarter. Drilling was carried out to test for additional resources on main vein structures including Animas, Don Benito, Veta Madre, San Jorge and Cantarranas. Results from the drilling will be used to direct further exploratory development.

At the Argentina mine, ramp development has been completed to the third level, providing access for exploratory development in a new area of Inferred Mineral Resources. This new development will provide for additional production over the coming months.

A new surface drilling program of 7,000 metres started with the completion of four diamond drill holes for a total of 607 metres. All four holes targeted vein at the La Prieta mine.

RESOURCES UPDATE

Guanajuato Mine

During the third quarter, the Deep Rayas drill rig was moved to the Los Pozos area, which is expected to be moved to Valenciana for exploration purposes during the fourth quarter. The Valenciana area is currently being rehabilitated and additional drill stations established above the 390 metre level in order to accommodate the deep drilling program. Surface drilling is also underway to test for unexploited veins adjacent to the richest parts of the old Valenciana Mine.

Drilling to explore the Guanajuatito area will continue in the North Zone, 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 fourth quarter.

Updated resource estimates are being compiled for the Santa Margarita, Los Pozos and Cata areas to take account of the new vein intercept data from recent drilling and a new NI 43-101 compliant resource estimate for the Guanajuatito North Zone has been prepared. All zones will be included in a resource update for the Guanajuato Mine Complex to be released late 2011/early 2012.

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 the Company's main Guanajuato mines.

During the third quarter, 18 diamond drill holes totaling 4,881 metres were completed. Re-logging and quarter core sampling of the initial nine drill holes was completed with the results being subjected to a thorough QA/QC checking program. Results were satisfactory and the database was updated using only the quarter core assays. Seven silver-gold mineralized zones have now been delineated by the 2010 to 2011 diamond drilling at San Ignacio, specifically the Melladito, Intermediate, Intermediate 5, Intermediate 2, Nombre de Dios, Nombre de Dios Footwall 1, and Nombre de Dios Footwall 2.

An initial, NI 43-101 compliant, Mineral Resource estimate has been published for the property. The estimate comprises Inferred Mineral Resources of 611,000 tonnes at 127gt/ Ag and 2.05g/t Au (4,494,000 Ag eq oz), using a 118g/t Ag eq cut-off grade. Drilling is continuing, with a total of 46 holes now completed. An update of the NI 43-101 resource estimate for the San Ignacio project is expected during the first half of 2012.

The Company has 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 the Company's Guanajuato plant for processing, where capacity currently exists to double ore throughput.

Topia Mine

As discussed above, the mine development at Topia continued to extend known areas and provide access to new mining areas. At the San Gregorio/El Rosario vein operations, exploratory development to access the veins at the 1,630 metre elevation was successful. At the Durangueno mine, the San Gregorio vein is being mined at the 1,475 elevation.

A new surface program of 7,000 metres started in the third quarter with completion of four diamond drill holes for a total of 607 metres.

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 the Company's 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 the Company bought the Topia mine, the Company has consistently increased the resource base with every drill program, while also increasing production over the preceding five years.

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.

During the fourth quarter of 2011, the 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 for approximately 500 metres to the east below old mine workings, will be drill tested by the first quarter of 2012. The 2011 surface drill program started four months late due to drought conditions in the Topia area.

SELECTED QUARTERLY INFORMATION

(In thousands, except per share amounts)	***2011 Q3***	***2011 Q2***	***2011 Q1***	***2010 Q4***	***2010 Q3***	***2010 Q2***	***2010 Q1***	***2009 Q4*** [(1)]
Revenue	$ 16,278	$ 8,560	$ 15,460	$ 13,809	$ 11,165	$ 9,317	$ 7,915	$ 9,850
Cost of sales (excluding amortization and depletion)	6,581	4,193	5,831	6,360	5,367	5,029	4,405	4,698
Earnings from mining operations [(2)]	8,320	3,951	8,613	6,322	4,679	3,425	2,516	4,248
Income (loss) for the period	3,415	2,501	7,009	2,265	3,050	4,368	977	1,037
Basic earnings (loss) per share	0.03	0.02	0.06	0.02	0.03	0.04	0.01	0.01
Diluted earnings (loss) per share	0.02	0.02	0.05	0.02	0.03	0.04	0.01	0.01
Adjusted EBITDA [(3)]	7,880	2,940	7,928	5,425	4,365	3,056	2,205	3,560
Cash and cash equivalents	35,074	36,760	15,166	13,967	9,364	10,883	9,250	13,312
Working capital	53,783	51,947	29,291	18,812	13,200	17,069	18,438	18,153

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

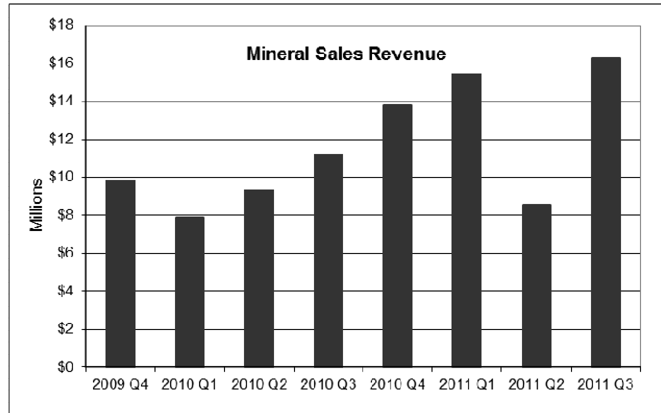
(2) "Earnings from mining operations" are defined as gross profit.

(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, foreign exchange gains or losses, and non-recurring items. Please note that the Company has revised its definition of adjusted EBITDA for this period and has restated comparative figures presented above and elsewhere in this MD&A. Refer to the "Non-IFRS Measures" section for the definition and 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 the Company's 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 against the Canadian dollar may also result in considerable variances in foreign exchange gains/losses.



THIRD QUARTER DISCUSSION

For the three and nine months ended September 30, 2011, the Company earned revenue of $16.3 million and $40.3 million, respectively, compared to $11.2 million and $28.4 million for the same periods in 2010, an increase of 46% and 42%, respectively. This increase in revenue in the third quarter and for the first nine months of 2011 is primarily due to an increase in average metal prices over the comparative periods but was also impacted by the draw-down of concentrate inventory at Guanajuato.

Revenue increased by $7.7 million, or 90%, during the third quarter of 2011 as compared to the second quarter of 2011. The increase is primarily attributed to a return to normal shipments in concentrate sales after delays in shipments in the second quarter adversely impacted revenues of that quarter. The sale of some of the excess inventories from the second quarter also contributed to the quarter-over-quarter increase in revenue.

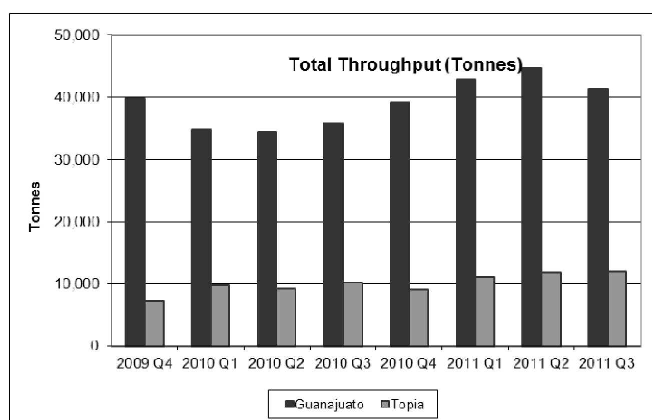
The Company typically sells its concentrates for both its Topia and Guanajuato mines through contracts with third party metal traders or directly to smelters. During the third quarter the Company commenced shipments of its Guanajuato concentrates to a new buyer which reduced some of the inventory backlog from the second quarter. The sale of concentrates from the Topia mine was not affected by this issue as these are sold to a different trader. The Company will continue to sell the excess concentrate inventory in an orderly manner in order to maximize realized prices, and expects to complete the sale of the excess inventory by the end of the first quarter of 2012.

Compared to the three months ended September 30, 2010, average realized prices for silver, gold, and lead prices for the three months ended September 30, 2011 increased by 63%, 29%, and 12%, respectively, while zinc decreased by 2%. Compared to the second quarter of 2011, average realized silver, lead and zinc prices for the third quarter of 2011 decreased by 2%, 2% and 3%, respectively, while gold prices increased by 11%.

The Company's realized average metal prices and the average Canadian exchange rates against the United States dollar and Mexican peso for the three and nine months ended September 30, 2011 and 2010 are as follows:

		2011 Q3		*2011 YTD*		*2010 Q3*		*2010 YTD*
Silver (U.S. $ / oz.)	*$*	*35.38*	$	36.36	$	21.70	$	18.10
Gold (U.S. $ / oz.)	*$*	*1,696.94*	$	1,593.42	$	1,320.02	$	1,205.57
Lead (U.S. $/ lb.)	*$*	*1.09*	$	1.14	$	0.97	$	0.90
Zinc (U.S. $/ lb.)	*$*	*0.98*	$	1.03	$	1.00	$	0.93
USD / CAD		1.020		1.023		0.962		0.965
MXN / CAD		12.561		12.300		12.314		12.268

Total plant throughput of 53,375 tonnes for the Company's consolidated operations for the third quarter 2011 increased by 16% compared to 46,039 tonnes for the third quarter of 2010. Plant throughput decreased by 6% from 56,643 tonnes compared to the second quarter of 2011. Despite the increase in processed ore, lower grades realized in the third quarter of 2011 resulted in lower overall production on a silver equivalent basis.



Cost of sales (excluding amortization and depletion) was $6.6 million and $16.6 million for the three and nine months ended September 30, 2011, respectively, compared to $5.4 and $14.8 million for the same periods in 2010. The year over year increase in cost of sales is primarily due to increased throughput at lower metal grades and higher operating costs.

For the three months ended September 30, 2011, the Company had gross profit (earnings from mining operations) of $8.3 million compared to $4.7 million in the same period in 2010, an increase of 78%. Gross profit for the nine months ended September 30, 2011 was $20.9 million compared to $10.6 million in 2010. The year over year increase in gross profit is due to higher metal prices.

Consolidated cash cost per ounce was US$9.02 for the three months ended September 30, 2011, a 33% increase compared to US$6.76 for the same period in 2010. Cash costs per ounce increased at both mines over the third quarter of 2010 due to higher operating costs, lower ore grades and metal recoveries resulting in lower yields, and a lower value of the US dollar against the Canadian dollar. In addition, higher smelter charges at both mines contributed to the increase in cash costs per ounce. These increases were partially offset by higher gold prices which increased by-product credits. Consolidated cash cost per ounce was US$10.02 for the nine months ended September 30, 2011, which was a 41% increase compared to US$7.08 for the nine months ended September 30, 2010. The same factors contributed to the increase in cash costs per ounce for the nine month period.

Amortization and depletion of mineral properties, plant and equipment for the three and nine months ended September 30, 2011 were $1.4 million and $2.8 million, respectively, which compared to amortization expenses of $1.1 million and $3.0 million in the same periods in 2010. The increase in amortization expense for the third quarter is the result of an increase in capitalized mine development costs compared to the prior year, however, this was partially offset by extensions in the mine lives of both Guanajuato and Topia to 5 and 10 years, respectively, at December 31, 2010. The extension of the mine lives resulted in a decrease in amortization expense for the nine months ended September 30, 2011.

General and administrative expenses were $2.1 million and $5.5 million for the three and nine months ended September 30, 2011, respectively, compared to $1.6 million and $4.2 million for the same periods in 2010. The increase was primarily due to higher business development activity, additional costs associated with the Company's listing on the NYSE Amex stock exchange, expansion of the Company's investor relations program, addition of various senior level positions, and the conversion to IFRS.

Finance costs decreased by $0.3 million and $0.5 million for the three and nine months ended September 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.

The Company recorded foreign exchange loss of $3.1 million and $2.5 million for the three and nine months ended September 30, 2011. During the three and nine months ended September 30, 2011, both the Canadian dollar and US dollar strengthened against the Mexican peso, resulting in foreign exchange losses during this period. These were primarily unrealized losses on intercompany loans. For the same periods in 2010, the Company recorded a gain of $0.3 million and $0.7 million, respectively.

The Company recorded a recovery of income tax of $0.1 million and income tax expense of $0.1 million for the three and nine months ended September 30, 2011, respectively.

Net income for the three and nine months ended September 30, 2011 was $3.4 million and $12.9 million, respectively, compared to $3.1 million and $8.4 million for the same periods in 2010. The increase in net income is primarily attributable to gross profit (earnings from mining operations) which improved significantly over the prior year as a result of higher metal prices, and decrease in financing costs due to extinguishment of the remaining convertible notes. However, the increase in net income was partially offset by foreign exchange losses resulting from the strengthening of both the Canadian dollar and US dollar against the Mexican peso, and higher general and administrative costs.

Adjusted EBITDA (as defined below in the "Non-IFRS Measures" section) was $7.9 million and $18.7 million for the three and nine months ended September 30, 2011, respectively, compared to $4.4 million and $9.7 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 provides 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, a detailed reconciliation between the cash cost per ounce of silver and the Company's cost of sales as reported in the Company's Condensed Consolidated Interim Statements of Comprehensive Income (Loss) is provided.

	Guanajuato		Topia		Consolidated	
(In thousands, except cost per ounce)	**2011 Q3**	**2010 Q3**	**2011 Q3**	**2010 Q3**	**2011 Q3**	**2010 Q3**
CAD Cost of sales	$ 4,405	$ 3,317	$ 2,177	$ 2,050	$ 6,582	$ 5,367
Smelting and refining	482	331	481	399	963	730
CAD Gross by-product revenue [1]	(3,171)	(2,274)	(1,147)	(1,189)	(4,318)	(3,463)
Cost of custom milling	-	-	(92)	(68)	(92)	(68)
CAD Cash operating costs	**$ 1,716**	**$ 1,374**	**$ 1,417**	**$ 1,192**	**$ 3,135**	**$ 2,566**
USD Cash operating costs	$ 1,750	$ 1,319	$ 1,541	$ 1,149	$ 3,291	$ 2,468
Silver Payable Ounces	251	246	113	119	365	365
Cash cost per ounce (USD) [2]	**$ 6.96**	**$ 5.35**	**$ 13.60**	**$ 9.68**	**$ 9.02**	**$ 6.76**

	Guanajuato		Topia		Consolidated	
(In thousands, except cost per ounce)	**2011 YTD**	**2010 YTD**	**2011 YTD**	**2010 YTD**	**2011 YTD**	**2010 YTD**
CAD Cost of sales	$ 9,635	$ 9,304	$ 6,971	$ 5,498	$ 16,606	$ 14,802
Smelting and refining	1,094	755	1,493	1,182	2,587	1,937
CAD Gross by-product revenue [1]	(6,548)	(5,267)	(3,293)	(3,491)	(9,841)	(8,758)
Cost of custom milling	-	-	(260)	(218)	(260)	(218)
CAD Cash operating costs	**$ 4,180**	**$ 4,791**	**$ 4,912**	**$ 2,970**	**$ 9,092**	**$ 7,762**
USD Cash operating costs	$ 4,140	$ 4,627	$ 4,947	$ 2,870	$ 9,087	$ 7,498
Silver Payable Ounces	573	714	334	345	907	1,059
Cash cost per ounce (USD) [2]	**$ 7.23**	**$ 6.48**	**$ 14.79**	**$ 8.32**	**$ 10.02**	**$ 7.08**

(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.

(2) "Cash cost per 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.

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. 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 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, foreign exchange gains or losses, and non-recurring items. Foreign exchange gains or losses may consist of both realized and unrealized losses. 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. The Company discloses Adjusted EBITDA to aid in understanding the results of the Company and is meant to provide further information about the Company's financial results to investors.

For this period, the Company has changed its definition of adjusted EBITDA and has restated comparative figures in this Management Discussion and Analysis accordingly. The revised definition adjusts the earnings to also remove the effect of foreign exchange gain or loss; whereas in the previous definition, only the compensation expense was included in the adjusted EBITDA. The Company believes that the revised definition provides a better understanding of the results by removing the variability of foreign exchange gains and losses.

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

(In thousands)	*2011 Q3*	*2010 Q3*	*2011 YTD*	*2010 YTD*
Income (loss) for the period	**$ 3,415**	**$ 3,050**	**$ 12,925**	**$ 8,395**
Provision (recovery) of income taxes	(108)	9	114	(2,091)
Interest expense	17	283	308	805
Amortization expense	1,413	1,054	2,903	3,013
EBITDA	**4,737**	**4,396**	**16,250**	**10,122**
Foreign exchange (gain) loss	3,143	(303)	2,498	(706)
Stock-based compensation	-	272	-	288
Adjusted EBITDA	**$ 7,880**	**$ 4,365**	**$ 18,748**	**$ 9,704**

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2011, the Company had working capital of $53.8 million and cash and cash equivalents of $35.1 million compared to working capital of $18.8 million and cash and cash equivalents of $14.0 million at December 31, 2010. The increase in cash is attributed to cash flow from operations of $9.4 million during the nine months ended September 30, 2011, $22.5 million proceeds from an equity offering in the second quarter, and $6.4 million in proceeds from option and warrant exercises. These were partially offset by capital expenditures in the amount of $16.1 million and debt repayments of approximately $0.8 million.

Management anticipates that cash flow generated from mining activities along with working capital will be sufficient to fund the Company's operations without requiring any additional capital during the next twelve months.

At the date of this MD&A, the Company 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 $4.3 million and $9.4 million for the three and nine months ended September 30, 2011, compared to cash flows provided by operating activities of $3.1 million and $6.8 million during the corresponding periods in 2010. The decrease at the end of the third quarter is mainly attributable to timing of shipments of concentrate which resulted in higher accounts receivable balances at the end of the quarter.

Investing Activities

For the three and nine months ended September 30, 2011, the Company had net cash outflows from investing activities of $6.5 million and $16.1 million, respectively, primarily for the development of mineral properties, purchase of capital assets and exploration, compared to net cash outflows of $4.6 million and $11.2 million for the three and nine months ended September 30, 2010, respectively.

Financing Activities

Cash flows provided by financing activities were $0.8 million and $28.1 million, respectively, for the three and nine months ended September 30, 2011 compared to $0.1 million and $0.5 million for the comparative periods in 2010. On April 12, 2011, the Company closed a bought deal financing with a syndicate of underwriters for net proceeds of $22.5 million. During the quarter the Company also received proceeds from the exercise of warrants and options in the amount of $0.9 million and repaid the remaining balance of the promissory notes.

OUTLOOK

Following four years of rapid growth in metal production, the first nine months of 2011 has been a period of consolidation. Throughput has continued to climb by over 20%, however this has been off-set by a drop in ore grades at both operations. The latter is being addressed and management expects an improvement in grades in the coming quarters.

Key to the success of the Company's growth strategy is the delineation of new NI 43-101 compliant Mineral Resources and continuous improvements in mine production. To this end, exploration drilling has been accelerated, mineral resources have been added, and further resource updates are expected in the following quarters. The 2012 mine plans will be confirmed once the drill results for the current programs have been interpreted, and mineral resources are updated. Published resources do not include estimates for the Guanajuatito area and these will be included in the upcoming resource update. The Company continues to work towards achieving the goals of its growth strategy for its operations. These goals are to achieve mineral resources totaling 40 million Ag eq oz and an annual metal production of 3.8 million Ag eq oz per annum.

High grade silver-gold mineralization has been discovered in an extension of the Cata Mine in the core of the Guanajuato Mine Complex. The discovery was made during the course of a detailed deep drilling program being conducted at 12.5 to 25 metre intervals from several drill stations in the Cata Mine access ramp at the 510 metre level, the deepest mining development to date. The drilling program, covering an area of approximately 70 metres down-dip and 100 metres along strike, has been successful in extending silver-gold mineralization below the current level of mining and the existing mineral resource/reserve estimate. Highlights of the discovery include Alto 2 zone intersections from UG11-135 that returned 29.44g/t gold and 6,447g/t silver over a width of 3.20 metres, and UG11-137 that returned 7.38g/t gold and 2,114g/t silver over a width of 5.40 metres. The Alto 1a zone in UG11-137 returned 1.82g/t gold and 485g/t silver over a width of 4.80 metres, while the Veta Madre zone in UG11-133 returned 6.02g/t gold and 1,347g/t silver over a width

of 2.25 metres. These zones have already been accessed by mine development and management believes that they will contribute to improved grades during the fourth quarter and into 2012.

The NI 43-101 compliant Mineral Resource for Topia supports current and future mine expansions and the plant capacity has been increased to accommodate the planned expansions. The NI 43-101 resource estimates for Guanajuato support current production and plant capacity has already exceeded what is required to achieve the future targets.

Drilling has been accelerated at the San Ignacio advanced exploration property, where an initial mineral resource estimate of 4.5 million Ag eq oz has been released. Seven silver-gold mineralized zones, some stretching over the 450 metre strike length of the present drilling and up to nine metres true width, have been identified. The mineralization remains open over the entire four kilometre property. Further updates will be released as new results are compiled and interpreted. This and the prospective Santa Rosa property provide significant upside potential for future growth for the Guanajuato operations.

During the second quarter the Company experienced delays in concentrate shipments from its Guanajuato mine because of issues stemming from its metal trader's smelter. In response to those delays the Company has been working directly with other metal traders and smelters to sell the excess inventory. Consequently, during the third quarter, the Company has made new arrangements to sell additional concentrates from the Company's Guanajuato operations. The Company expects that these arrangements will enable the sale of the majority of the excess concentrate inventory through the remainder of 2011.

For the first nine months of 2011, the Company's overall metal production was 1.65 million Ag eq oz as compared to 1.69 million Ag eq oz for the same period in 2010. Production for the fourth quarter is expected to improve to 550,000 Ag eq oz for a year-end total of approximately 2.2 million Ag eq oz. Production targets for 2012 and beyond are currently under review and management expects to provide further guidance late in the fourth quarter.

TRANSACTIONS WITH RELATED PARTIES

The Company entered into the following transactions with related parties:

(In thousands)	**2011 Q3**	**2010 Q3**	**2011 YTD**	**2010 YTD**
Consulting fees paid or accrued to companies controlled by directors of the Company	$ 101	$ 119	$ 438	$ 396
Consulting fees paid or accrued to a company controlled by an officer of the Company	$ 60	$ 37	$ 153	$ 133
Director fees paid or accrued to companies controlled by directors of the Company	$ -	$ 18	$ -	$ 53
Office and administration fees paid or accrued to a company controlled by a director of the Company	$ 21	$ 21	$ 64	$ 65
Cost recoveries received or accrued from a company with a common director of the Company	$ -	$ -	$ -	$ 51

As at September 30, 2011, $33,000 (December 31, 2010 – $167,000) was due to companies controlled by the Company's officers and directors and was included in accounts payable. Amounts due from companies with a common director were $32,000 (December 31, 2010 – $75,000) 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"), the Company was 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. The Company continuously reviews its estimates and assumptions using the most current information available.

As these are the Company's financial statements using IFRS, readers should refer to Note 3 of the condensed consolidated interim financial statements for the third quarter ended September 30, 2011, for the Company's 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 nine months ended September 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").

Note 14 to the accompanying condensed consolidated interim unaudited financial statements provides 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, September 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.

(In thousands)	*January 1 2010*	*September 30 2010*	*December 31 2010*
Total shareholders' equity reported under Canadian GAAP	**$ 26,856**	**$ 28,922**	**$ 35,553**
Increases (decreases) net of tax:			
Mine development costs	4,150	8,058	9,518
Reclamation and remediation provision	(475)	(873)	(1,091)
Convertible notes	253	133	76
Deferred tax liabilities	(344)	-	-
Total IFRS adjustments to shareholders' equity	3,584	7,318	8,503
Shareholders' equity under IFRS	**$ 30,440**	**$ 36,240**	**$ 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 $2.4 million and $4.0 million for the three and nine months ended September 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 nine months ended September 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.

(In thousands)	***3 months ended September 30 2010***	***9 months ended September 30 2010***	***Year ended December 31 2010***
Total comprehensive income as reported under Canadian GAAP	**$ 601**	**$ 268**	**$ 1,935**
Increases (decreases) in respect of:			
Mine development costs	1,800	4,348	5,826
Reclamation and remediation provision	47	(365)	(303)
Convertible notes	(50)	(121)	(179)
Cumulative translation adjustment	18	(473)	(771)
Deferred tax liabilities	-	344	346
Total IFRS adjustments to comprehensive income	1,815	3,733	4,919
Total comprehensive income as reported under IFRS	**$ 2,416**	**$ 4,001**	**$ 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

The Company has 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.

Stripping Costs in the Production Phase of a Mine

In October of 2011, the IASB issued IFRIC 20 – Stripping Costs in the Production Phase of a Mine, which clarifies the requirements for accounting for costs of stripping activities in the production phase when two benefits accrue: (1) usable ore that can be used to produce concentrate inventory and (2) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual reporting periods beginning on or after January 1, 2013 with earlier application permitted and includes guidance on transition for pre-existing stripping costs. The Company is currently evaluating the impact IFRIC 20 is expected to have on its consolidated financial statements.

SECURITIES OUTSTANDING

At the date of this MD&A, the Company had 136,991,912 common shares issued and 741,750 warrants and 1,541,500 options outstanding.

Fully diluted, the weighted average issued and outstanding shares of Great Panther would be 137,834,462 and 134,491,829 for the three and nine months ended September 30, 2011, respectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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 the Company's internal control over financial reporting during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to affect the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk as the Company derives its revenue from the sale of silver, gold, zinc, and lead, which may subject to significant price fluctuations; foreign exchange risk as the Company reports its financial results in Canadian dollars but receives most of its revenue in US dollars and incurs a significant portion of its expenditures in US dollars and Mexican Pesos; credit risk in the normal course of dealing with a limited number of buyers for the Company's concentrates; the inherent risk of uncertainties in estimating mineral reserves and mineral resources; political risks; environmental risks, regulatory risks and risks related to its relations with employees. These and other risks are described in the Company Annual Report; the Company's Form 20-F filed with the SEC; Audited Annual Consolidated Financial Statements and Management's Discussion and

Analysis for the year ended December 31, 2010 (available on SEDAR at www.sedar.com). Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to the Company's business.

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 the Company's ability to obtain adequate financing for its 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.

The Company disclaims any intention and assumes 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 the Company's website at http://www.greatpanther.com.