OREX MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2009

AUDITORS' REPORT

To the Shareholders of
Orex Minerals Inc.

We have audited the consolidated balance sheets of Orex Minerals Inc. as at April 30, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

August 20, 2009

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OREX MINERALS INC.
CONSOLIDATED BALANCE SHEETS
AS AT APRIL 30

	2009	2008
ASSETS		
Current		
Cash	$ 510,362	$ 705,887
Receivables	41,045	60,175
Prepaid expenses	16,747	130,684
	568,154	896,746
Equipment (Note 3)	1,199	1,711
Mineral properties (Note 4)	2,095,450	1,617,850
	$ 2,664,803	$ 2,516,307
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 305,903	$ 102,253
Shareholders' equity		
Share capital (Note 5)	11,172,203	8,615,455
Subscriptions received in advance (Note 12)	485,000	-
Contributed surplus (Note 5)	1,516,443	1,574,510
Deficit	(10,814,746)	(7,775,911)
	2,358,900	2,414,054
	$ 2,664,803	$ 2,516,307

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

/s/ Gary Cope	Director	*/s/ Rick Sayers*	Director
Gary Cope		Rick Sayers	

The accompanying notes are an integral part of these consolidated financial statements.

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEAR ENDED APRIL 30

	2009	2008
EXLORATION EXPENSES		
Drilling	$ 73,394	$ -
Geological	336,961	132,247
Assay	35,654	2,099
Site costs	1,580,415	794,857
General exploration	93,176	95,034
	2,119,600	1,024,237
GENERAL EXPENSES		
Amortization	512	732
Consulting fees	60,000	65,660
Investor relations	114,476	112,871
Management fees	168,800	162,700
Office and administrative	79,420	66,104
Professional fees	92,710	65,327
Rent	73,560	72,510
Stock-based compensation (Note 5)	191,719	324,926
Transfer agent and filing fees	21,482	32,895
Travel and entertainment	71,006	63,015
	873,685	966,740
Loss before other items	(2,993,285)	(1,990,977)
OTHER ITEMS		
Write-off of mineral properties (Note 4)	-	(87,633)
Foreign exchange loss	(48,039)	(2,069)
Interest income	2,489	46,670
Loss and comprehensive loss for the year	(3,038,835)	(2,034,009)
Deficit, beginning of year	(7,775,911)	(5,741,902)
Deficit, end of year	$ (10,814,746)	$ (7,775,911)
Basic and diluted loss per common share	$ (0.06)	$ (0.05)
Weighted average number of common shares outstanding	50,343,686	40,727,531

The accompanying notes are an integral part of these consolidated financial statements.

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED APRIL 30

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (3,038,835)	$ (2,034,009)
Items not affecting cash:		
Amortization	512	732
Write-off of mineral properties	-	87,633
Stock-based compensation	191,719	324,926
Changes in non-cash working capital items:		
(Increase) decrease in receivables	19,130	(17,719)
(Increase) decrease in prepaid expenses	113,937	(126,794)
Increase (decrease) in accounts payable and accrued liabilities	203,650	(7,542)
Net cash flows used in operating activities	(2,509,887)	(1,772,773)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral properties	(452,600)	(866,100)
Advances on mineral property equipment	-	(506,750)
Redemption of short-term investments	-	1,800,000
Net cash provided by (used in) investing activities	(452,600)	427,150
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received in advance	485,000	-
Issuance of share capital	2,307,110	1,898,750
Share issue costs	(25,148)	(14,332)
Net cash provided by financing activities	2,766,962	1,884,418
Change in cash during the year	(195,525)	538,795
Cash, beginning of year	705,887	167,092
Cash, end of year	$ 510,362	$ 705,887

Supplemental disclosure with respect to cash flows (Note 7)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Orex Minerals Inc. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on April 25, 1996. The Company's principal business activities include the acquisition and exploration of mineral properties in Mexico.

The Company is in the exploration stage and has not yet determined whether any of these properties contain ore reserves that are economically recoverable. The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception, does not currently have the financial resources to sustain operations in the long-term and has not met all the funding requirements on its Santa Cruz property (Note 4). Current market conditions make the present environment for raising additional equity financing unfavourable. The Company needs to raise sufficient capital to fund ongoing exploration and administration expenses and successfully renegotiate the payments required under the option agreement on the Santa Cruz property. The inability to raise additional financing and successfully renegotiate the option agreement may impact the future assessment of the Company as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, OVI Exploration de Mexico S.A. de C.V., which was incorporated on August 21, 2007. All significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the year. Significant accounts that require estimates relate to the impairment of mineral properties, the useful lives of equipment, the utilization of future income tax assets, the valuation of asset retirement obligations, warrants in private placements and stock-based compensation. Actual results may differ from these estimates.

Equipment

Computer equipment is recorded at cost and is amortized on a declining balance basis at 30% per annum.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties

All costs related to the acquisition of mineral property interests are capitalized by property. Exploration and development costs are expensed as incurred. The development costs are capitalized once a mineral property is determined to be economically viable. Capitalized costs of the related property are then reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. Management reviews the carrying value of mineral properties regularly for possible impairment. Impairment is also considered whenever events or changes in circumstances indicate that a mineral property's carrying amount may not be recoverable.

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in loss for the year.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital.

Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The amount added to the long-lived asset will be amortized in the same manner as the related asset. The Company has determined that it has no asset retirement obligations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Financial instruments

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale normal purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost.

There were no transitional adjustments as a result of the application of the financial instrument accounting policies.

Adoption of new accounting standards and developments

Effective May 1, 2008, the Company adopted the following standards of the CICA Handbook.

Section 1400 – Assessing going concern

This Section was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Adoption of new accounting standards and developments (cont'd…)

Section 1535 – Capital disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital,

(ii) summary quantitative data about what it manages as capital.

(iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.

(iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Section 3862 – Financial instruments – disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

(i) designating financial assets and liabilities as held for trading;

(ii) designating financial assets as available-for-sale; and

(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

Section 3863 – Financial instruments - presentation

This Section was issued to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting pronouncements

International financial reporting standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets". Effective for fiscal years beginning on or after October 1, 2008, this section provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. Retroactive application to prior period financial statements will be required. The Company does not expect these changes to have an impact on its consolidated financial statements.

3. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 5,541	$ 4,342	$ 1,199	$ 5,541	$ 3,830	$ 1,711

4. MINERAL PROPERTIES

	Las Sorpresas, Peru	Santa Cruz, Mexico	Total
Balance, as at, April 30, 2007	$ 87,633	$ -	$ 87,633
Acquisition costs	-	1,111,100	1,111,100
Write-off	(87,633)	-	(87,633)
Advances on equipment	-	506,750	506,750
Balance, as at April 30, 2008	-	1,617,850	1,617,850
Acquisition costs	-	477,600	477,600
Balance, as at April 30, 2009	$ -	$ 2,095,450	$ 2,095,450

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Las Sorpresas, Peru

Pursuant to an agreement dated February 20, 2004, the Company was granted an option to acquire a 51% undivided interest in certain mineral claims situated in Peru, known as the "Las Sorpresas" property. During fiscal 2008, the Company decided not to continue with exploration, consequently mineral property costs of $87,633 were written-off.

4. MINERAL PROPERTIES (cont'd…)

Santa Cruz, Mexico

The Company was granted an option to acquire up to a 75% interest in the Santa Cruz property in Durango, Mexico from Silverex S.A. de C.V ("Silverex"). To acquire an initial 50% interest, the Company is required to issue 500,000 common shares and pay US$800,000 by November 1, 2007, issue an additional 500,000 common shares and pay an additional US$800,000 by November 1, 2008 and make an additional cash payment to bring the value of cash payments and share issuances to total US$4,000,000 by November 1, 2009. The Company is also required to incur annual exploration expenditures of US$500,000 for a total period of four years to November 1, 2011. To acquire an additional 25% interest, the Company is required to pay US$1,500,000 and issue common shares valued at US$500,000 by November 1, 2010 and pay US$1,500,000 and issue common shares valued at US$500,000 by November 1, 2011, to bring the total value of cash payments and share issuances to US$8,000,000 for the entire 75% interest, subject to regulatory approval.

Should the Company not meet the conditions to earn the additional 25% interest in the property, the optionor will have the option to reacquire the 50% interest in the property, if earned, for the greater of US$4,000,000 or the Company's costs incurred to the date of the exercise. Should any mining operations be conducted on the property, the Company will receive 50% of all profits and the property is subject to a 2% net smelter returns royalty.

Pursuant to the terms of the option agreement, during fiscal 2008, the Company issued 500,000 common shares valued at $245,000 and paid $866,100. During fiscal 2009, the Company issued 500,000 additional common shares valued at $25,000 and paid $452,600 (US$450,000) to Silverex. The Company did not complete the required payments under the option agreement and was required to make an additional US$350,000 payment prior to November 1, 2008. Subsequent to April 30, 2009, Silverex and the Company entered into negotiations to amend the agreement and the Company continues to maintain an interest in the property.

The Company has incurred exploration expenditures on Santa Cruz totaling $3,063,195 to April 30, 2009.

Advances on equipment

Pursuant to the option agreement, in fiscal 2008, the Company advanced $506,750 (US$500,000) to the optionor to be used for the refurbishment of equipment and machinery on the property.

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized:			
Unlimited number of common shares without par value			
Issued:			
Balance at April 30, 2007	32,123,420	$ 6,224,003	$ 1,496,118
Private placement	8,000,000	1,200,000	-
Finders Fees	397,500	59,625	-
Mineral properties	550,000	260,500	-
Options exercised	175,000	48,000	(10,750)
Warrants exercised	2,640,000	897,284	(235,784)
Stock-based compensation	-	-	324,926
Share issuance costs	-	(73,957)	-
Balance at April 30, 2008	43,885,920	8,615,455	1,574,510
Private placement	16,000,000	1,600,000	-
Finders Fees	1,200,000	120,000	-
Mineral properties	500,000	25,000	-
Warrants exercised	3,535,550	956,896	(249,786)
Stock-based compensation	-	-	191,719
Share issuance costs	-	(145,148)	-
Balance at April 30, 2009	65,121,470	$ 11,172,203	$ 1,516,443

Private placements

On June 4, 2007, the Company issued 8,000,000 units at $0.15 per unit for gross proceeds of $1,200,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.20 per common share. The full value of $1,200,000 was assigned to the common shares based on their fair values at the closing date of the private placements. In connection with the private placement, the Company issued 397,500 units valued at $59,625 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $14,332 on the private placement.

On February 24, 2009, the Company issued 16,000,000 units at $0.10 per unit for gross proceeds of $1,600,000 under a non-brokered private placement. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.15 per common share. The full value of $1,600,000 was assigned to the common shares based on their fair values at the closing date of the private placements. In connection with the private placement, the Company issued 1,200,000 units valued at $120,000 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $25,148 on the private placement.

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Stock options and warrants

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. Under the plan, the board of directors has the discretion to issue the equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. Stock options are generally for a term of up to five years from the date granted and are exercisable at a price that is not less than the market price on the date granted. Vesting terms are determined at the discretion of the board of directors.

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

	Warrants		Stock options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, April 30, 2007	9,144,210	$ 0.30	2,492,000	$ 0.39
Granted	4,198,750	0.20	1,565,000	0.27
Exercised	(2,640,000)	0.25	(175,000)	0.21
Expired	(795,060)	0.30	-	-
Outstanding, April 30, 2008	9,907,900	0.27	3,882,000	0.35
Granted	17,200,000	0.15	700,000	0.15
Exercised	(3,535,550)	0.20	-	-
Expired	(2,353,600)	0.50	-	-
Forfeited	-	-	(45,000)	0.39
Outstanding, April 30, 2009	21,218,750	$ 0.16	4,537,000	$ 0.22
Number currently exercisable	21,218,750	$ 0.16	4,537,000	$ 0.22

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Stock options and warrants (cont'd...)

The following options and warrants to acquire common shares of the Company were outstanding at April 30, 2009:

	Number of Shares	Exercise Price	Expiry Date
Options			
	99,000	$ 0.10	June 7, 2014 (1) (4)
	425,000	0.40	June 7, 2014 (1) (5)
	50,000	0.40	June 7, 2009 (2)
	100,000	0.33	June 7, 2014 (1) (5)
	111,000	0.10	March 23, 2010 (4)
	92,000	0.10	May 6, 2010 (4)
	535,000	0.10	September 11, 2011 (4)
	520,000	0.43	September 11, 2011 (5)
	150,000	0.43	September 11, 2011
	200,000	0.10	November 6, 2011 (4)
	25,000	0.10	May 9, 2012 (4)
	755,000	0.10	September 27, 2012 (4)
	50,000	0.27	September 27, 2012
	725,000	0.27	September 27, 2012 (5)
	200,000	0.26	June 17, 2013 (5)
	250,000	0.10	December 19, 2013
	250,000	0.11	January 30, 2011
Warrants			
	4,018,750	0.20	June 4, 2009 (3)
	17,200,000	0.15	February 24, 2009

(1) During fiscal 2009 the expiry date of these options was extended from June 7, 2009 to June 7, 2014 resulting in additional stock-based compensation of $35,840.
(2) Subsequent to April 30, 2009 these options expired unexercised.
(3) Subsequent to April 30, 2009 the Company issued 1,550,000 common shares for proceeds of $310,000 pursuant to the exercise of these warrants. The remaining 2,468,750 warrants expired unexercised.
(4) During fiscal 2009, a total of 1,817,000 options were repriced to $0.10 per share on January 7, 2009 resulting in additional stock-based compensation of $39,419.
(5) A total of 1,970,000 options are subject to disinterested shareholder approval, in order to be repriced to $0.10 per share. The Company will seek such disinterested shareholder approval at its next annual general meeting scheduled for September 2009.

Stock-based compensation

During fiscal 2009, the Company granted 700,000 (2008 – 1,565,000) stock options to directors, officers and consultants of the Company. The weighted average fair values of options granted are calculated using the Black-Scholes option-pricing model. The weighted average fair value per option was $0.10 (2008 – $0.20)

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd…)

Stock-based compensation (cont'd…)

	2009	2008
Expected option lives	4 years	5 years
Risk-free interest rate	2.14%	4.26%
Expected dividend yield	0%	0%
Expected stock price volatility	104%	95%

During fiscal 2009, the Company recognized $191,719 (2008 - $324,926) of compensation cost which has been recorded in stock-based compensation expense.

6. CAPITAL MANAGEMENT

The Company defines capital as cash and all components of shareholders' equity. The Company has no debt obligations. The board of directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends and is not subject to any externally imposed capital requirements.

The Company raises capital to fund its corporate and exploration costs through the sale of its common shares or units consisting of common shares and warrants in order to operate its business and safeguard its ability to continue as a going concern.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2009	2008
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

Significant non-cash transactions during fiscal 2009 included:

a) Issuing 500,000 common shares valued at $25,000 pursuant to the acquisition of mineral properties.

b) Issuing 1,200,000 units at a value of $120,000 as finder's fees for a private placement.

Significant non-cash transactions during fiscal 2008 included:

a) Issuing 550,000 common shares valued at $260,500 pursuant to the acquisition of mineral properties.

b) Issuing 397,500 units at a value of $59,625 as finder's fees for a private placement.

8. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2009	2008
Loss before income taxes	$ (3,038,835)	$ (2,034,009)
Income tax (recovery) at statutory rates	$ 1,000,269	$ 676,232
Stock based compensation	(63,741)	(108,028)
Mineral property expenses	(643,027)	(369,663)
Other items	47,257	43,964
Unrecognized benefit of net operating losses	(340,758)	(242,505)
	$ -	$ -

Significant components of the Company's future income tax assets are as follows:

	2009	2008
Future income tax assets		
Non-capital loss carryforwards	$ 1,152,000	$ 947,000
Share issuance costs	88,000	98,000
Equipment	1,000	1,000
Mineral properties	740,000	406,000
	1,981,000	1,452,000
Less valuation allowance	(1,981,000)	(1,452,000)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $4,600,000 in Canada and Mexico. These losses, if not utilized, will expire up to 2029. Future tax benefits which may arise as a result of non-capital losses and share issuance costs have not been recognized in these financial statements and have been offset by a valuation allowance.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $168,800 (2008 - $162,700) to companies controlled by officers of the Company.

b) Paid or accrued rent of $73,560 (2008 - $72,510) to a company with common directors.

c) Paid or accrued fees of $44,672 (2008 - $11,290) to companies controlled by directors. These amounts were included in exploration expenditures.

These transactions have been in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

10. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Company has various financial instruments including cash, receivables, and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to the near-term maturity of these financial instruments.

Concentrations of business risk

The Company maintains a majority of its cash with a major Canadian financial institution. The Company maintains the remainder of its cash with a major Mexican financial institution. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

As the Company operates in an international environment, some of the Company's transactions are denominated in currencies other than the Canadian dollar. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity.

Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectability of receivables. The Company believes its credit risk is low because its receivables are primarily comprised of input value-added tax (IVA) and goods and services tax (GST), which are recoverable from the governing body in Mexico and Canada respectively. As the Company's exploration operations are conducted solely in Mexico, the Company's operations are also subject to the economic risk associated with that country.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 6).

Accounts payable and accrued liabilities are due within the current operating period.

10. FINANCIAL INSTRUMENTS (cont'd…)

Foreign exchange risk

A significant portion of the Company's operational transactions are originally or effectively denominated in US dollars. As well, because the Company's primary operations are in Mexico, some costs are denominated in Mexican pesos. Accordingly, the results of Company's operations and comprehensive loss as stated in Canadian dollars will be impacted by exchange rate fluctuations. The Company does not hedge its exposures to movements in the exchange rates at this time.

The Company's exposure to foreign currency risk is on its cash, receivables and accounts payable and accrued liabilities. At April 30, 2009, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a $20,000 effect on loss and comprehensive loss while a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Mexican Peso would have a $2,000 effect.

Interest rate risk

The Company has interest rate risk arising from its bank deposits. The Company does not engage in any hedging activity to reduce its exposure to interest rate risk. Based on bank deposit balances at April 30, 2009, a hypothetical change of 1% in the interest rate for the upcoming year would have a $5,000 effect on net loss and comprehensive loss.

Price risk

Mineral prices, in particular gold and silver, are volatile, and have fluctuated sharply in recent periods. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day and hour to hour. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

11. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. Geographic information is as follows:

	2009	2008
Mineral properties and equipment		
Canada	$ 1,199	$ 1,711
Mexico	2,095,450	1,617,850
	$ 2,096,649	$ 1,619,561

12. SUBSEQUENT EVENTS

Subsequent to year end, the Company:

a) Issued 2,525,000 units at $0.20 per unit for gross proceeds of $505,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share for 24 months from the date of closing at a price of $0.30 per common share. In connection with the private placement, the Company issued 189,375 units as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $12,174 on the private placement.

   As at April 30, 2009, the Company had received share subscriptions of $485,000 toward this private placement.

b) Signed a letter of intent to purchase 100% of the core mineral concessions within the Coneto silver-gold mining camp in Durango State, Mexico. The pending purchase agreement will provide for a 100% transfer of the core mineral concessions in exchange for 11,000,000 common shares of the Company. The property is subject to a 2.5% NSR royalty payable to the vendors, reduced to 1.5% on payment of a lump sum of US $1,000,000.

c) Granted incentive stock options to a consultant to purchase 300,000 common shares exercisable at $0.15 per share for a period of two years ending July 17, 2011.

d) Issued 1,550,000 common shares for proceeds of $310,000 pursuant to the exercise of warrants.