OREX MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31, 2008 AND APRIL 30, 2008
(Expressed in Canadian Dollars)
(UNAUDITED)

NOTICE OF NO AUDIT REVIEW OF INTERIM FINANCIAL STATEMENTS
In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended July 31, 2008.

	July 31, 2008 (Unaudited)	April 30, 2008 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 411,383	$ 705,887
Receivables	53,557	60,175
Prepaid expenses	22,989	130,684
	487,929	896,746
Equipment (Note 4)	1,583	1,711
Mineral Properties (Note 5)	2,070,450	1,617,850
	$ 2,559,962	$ 2,516,307
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 133,666	$ 102,253
Shareholders' equity		
Share capital (Note 6)	9,566,351	8,615,455
Contributed surplus (Note 6)	1,383,859	1,574,510
Deficit (Note 6)	(8,523,914)	(7,775,911)
	2,426,296	2,414,054
	$ 2,559,962	$ 2,516,307

Nature and continuance of operations (Note 1)
Commitments (Note 11)
Subsequent events (Note 13)

On behalf of the Board:

"Gary Cope" Director

"Rick Sayers" Director

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

OREX MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED JULY 31, 2008 AND 2007
(Expressed in Canadian Dollars)
(UNAUDITED)

		Three months ended July 31, 2008		Three months ended July 31, 2007
EXLORATION EXPENSES (Schedule 1)				
Geological	$	56,300	$	18,902
Assay		49		511
Site costs		411,952		-
General exploration		7,790		10,154
		476,091		29,567
GENERAL EXPENSES				
Amortization		128		183
Bank charges and interest		1,218		708
Consulting fees		15,000		20,660
Investor relations		30,569		33,052
Management fees		42,600		39,200
Office and administrative		21,715		18,604
Professional fees		38,896		10,263
Rent		18,390		16,800
Stock-based compensation (Note 6)		59,135		65,786
Transfer agent and filing fees		4,483		4,438
Travel and entertainment		40,092		37,971
		272,226		247,666
Loss before other items		(748,315)		(277,233)
OTHER ITEMS				
Foreign exchange loss		(1,418)		(700)
Interest income		1,730		20,011
Loss and comprehensive loss for the period		(748,003)		(257,922)
Deficit, beginning of period		(7,775,911)		(5,741,902)
Deficit, end of period	$	(8,523,914)	$	(5,999,824)
Basic and diluted loss per common share	$	(0.02)	$	(0.01)
Weighted average number of common shares outstanding		46,216,294		37,375,000

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

OREX MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 31, 2008 AND 2007
(Expressed in Canadian Dollars)
(UNAUDITED)

	Three months ended July 31, 2008	Three months ended July 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (748,003)	$ (257,922)
Items not involving cash		
Amortization	128	183
Stock-based compensation expense	59,135	65,786
Change in operating assets and liabilities:		
Receivables	6,618	(29,024)
Prepaid expenses	107,695	(106,855)
Accounts payable and accrued liabilities	31,413	(79,116)
Net cash flows used in operating activities	(543,014)	(406,948)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of mineral property	(452,600)	(866,100)
Redemption of short-term investments	-	300,000
Net cash used in investing activities	(452,600)	(566,100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	701,110	1,201,600
Share issue costs	-	(14,332)
Net cash provided by financing activities	701,110	1,187,268
Decrease in cash and cash equivalents during the period	(294,504)	214,220
Cash and cash equivalents, beginning of period	705,887	167,092
Cash and cash equivalents, end of period	$ 411,383	$ 381,312

Supplemental disclosure with resepect to cash flows (Note 7)

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

SCHEDULE 1

OREX MINERALS INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENT OF PROPERTY ACQUISITION AND EXPLORATION EXPENDITURES
FOR THE PERIOD ENDED JULY 31, 2008
(Expressed in Canadian Dollars)
(UNAUDITED)

PROPERTY ACQUISITION COSTS	**LAS SORPRESAS, PERU**	**SANTA CRUZ, MEXICO**	**TOTAL**
Balance, April 30, 2008	$ -	$ 1,617,850	$ 1,617,850
Additions in the period:	-	452,600	452,600
Balance, July 31, 2008	$ -	$ 2,070,450	$ 2,070,450

YEAR-TO-DATE EXPLORATION EXPENDITURES			
Geological	$ -	$ 56,300	$ 56,300
Assay	-	49	49
Site costs	-	411,952	411,952
General exploration	-	7,790	7,790
Total expenditures for the period	$ -	$ 476,091	$ 476,091

TOTAL EXPLORATION EXPENDITURES TO DATE			
Geophysical	$ 114,977	$ -	$ 114,977
Geochemical	57,807	-	57,807
Geological	181,533	188,547	370,080
Assay	-	2,148	2,148
Site costs	-	1,206,809	1,206,809
General exploration	129,261	22,183	151,444
Total expenditures to date	$ 483,578	$ 1,419,687	$ 1,903,265

1. NATURE AND CONTINUANCE OF OPERATIONS

Orex Minerals Inc. (formerly Orex Ventures 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 Peru and 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.

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 and does not currently have the financial resources to sustain operations in the long-term. 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 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

Basis of Presentation

These interim consolidated financial statements are prepared by management in accordance with generally accepted accounting principles in Canada and have been prepared following the same accounting policies and methods of computation as the audited financial statements for the fiscal year ended April 30, 2008. The disclosures included below are incremental to those included with the annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto in the Company's annual report for the year ended April 30, 2008.

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.

Short-term investments

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are recorded at fair market value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

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

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…)

Comprehensive Income

The Company presents comprehensive income and its components on the Consolidated Statements of Operations, Comprehensive Loss and Deficit. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. During the period ended July 31, 2008, there were no items classified as other comprehensive income.

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.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Financial instruments

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.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND DEVELOPMENTS

Effective May 1, 2008, the Company adopted the new recommendations of the CICA under CICA Handbook Section 1400 “Assessing Going Concern”, Section 1535 “Capital Disclosures”, Section 3862 “Financial Instruments – Disclosures”, and Section 3863 “Financial Instruments –Presentation”.

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.

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.

3. ADOPTION OF NEW ACCOUNTING STANDARDS AND DEVELOPMENTS (cont'd…)

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.

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.

4. EQUIPMENT

	July 31, 2008			April 30, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 5,541	$ 3,958	$ 1,583	$ 5,541	$ 3,830	$ 1,711

5. 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	-	452,600	452,600
Balance, as at July 31, 2008	$ -	$ 2,070,450	$ 2,070,450

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. In fiscal 2004, the Company paid US$15,000 and issued 250,000 shares at $0.27 per share and a further 200,000 shares were required to be issued in stages for the property. Subsequent to April 30, 2008, the Company decided not to continue with exploration, consequently mineral property costs of $87,633 were written-off during fiscal 2008.

5. 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 pursuant to which the Company issued 500,000 common shares valued at $245,000 and paid $866,100 during fiscal 2008. To acquire an initial 50% interest, the Company is required to issue an additional 500,000 common shares and pay US$800,000 by November 1, 2008, of which $452,600 (US$450,000) was paid in the first quarter of fiscal 2009, and make an additional cash payment by November 1, 2009 to bring the value of cash payments and share issuances to total US$4,000,000. 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$4,000,000, 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. The Company has incurred exploration expenditures totaling $1,419,687 to July 31, 2008.

Advances on equipment

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

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized			
Unlimited number of common shares without par value			
Balance at April 30, 2007	32,123,420	6,224,003	1,496,118
Private placements	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)	-

- Continued -

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

	Number of Shares	Share Capital	Contributed Surplus
Continued…			
Balance at April 30, 2008	43,885,920	8,615,455	1,574,510
Warrants exercised	3,505,550	950,896	(249,786)
Stock-based compensation	-	-	59,135
Balance at July 31, 2008	47,391,470	$ 9,566,351	$ 1,383,859

Private placements

During fiscal 2008:

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.

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.

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

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

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	-		-	200,000		0.26
Exercised	(3,505,550)		0.20	-		-
Expired	(2,353,600)		0.50	-		-
Outstanding, July 31, 2008	4,048,750	$	0.20	4,082,000	$	0.35
Number currently exercisable	4,048,750	$	0.20	4,082,000	$	0.35

The following options and warrants to acquire common shares of the Company were outstanding at July 31, 2008:

	Number of Shares	Exercise Price	Expiry Date
Options			
	584,000	$ 0.40	June 7, 2009
	100,000	0.33	November 2, 2009
	111,000	0.30	March 23, 2010
	92,000	0.25	May 6, 2010
	1,205,000	0.43	September 11, 2011
	25,000	0.44	November 1, 2011
	200,000	0.43	November 6, 2011
	25,000	0.35	May 9, 2012
	1,540,000	0.27	September 27, 2012
	200,000	0.26	June 17, 2013
Warrants			
	4,048,750	0.20	June 4, 2009

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

Stock-based compensation

During the first quarter of fiscal 2009, the Company granted 200,000 (2008 – 25,000) 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 $0.20 (2008 - $0.26).

	Three months ended July 31, 2008	Three months ended July 31, 2007
Expected option lives	5 years	5 years
Risk-free interest rate	3.49%	4.17%
Expected dividend yield	0%	0%
Expected stock price volatility	98%	96%

During the first quarter of fiscal 2009, the Company recognized $59,135 (2008 - $65,786) of compensation cost which has been recorded in stock-based compensation expense.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Three months ended July 31, 2008	Three months ended July 31, 2007
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

There were no significant non-cash transactions during the first three months of fiscal 2009.

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. CAPITAL MANAGEMENT

The Company defines capital as 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. The Company 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.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $42,600 (2008 - $39,200) to companies controlled by officers of the Company.

b) Paid or accrued rent of $18,390 (2008 - $16,800) to a company with common directors.

c) Paid or accrued fees of $2,545 (2008 - $275) 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

a) Fair value of financial instruments

The Company has various financial instruments including cash, short-term investments, 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.

b) Concentrations of business risk

The Company maintains its cash with a major Canadian financial institution. Deposits held with this institution 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.

10. FINANCIAL INSTRUMENTS (cont'd…)

c) 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.

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 exchange rates at the period-end close for $ 1.00 Canadian Dollar are as follows:

July 31, 2008:	$ 0.9770 US dollars
	$ 9.8176 Mexican pesos
April 30, 2008:	$ 0.9871 US dollars
	$ 10.3604 Mexican pesos

e) Interest Rate Risk

The Company has interest rate risk arising from its bank deposits and short-term investments. The Company does not engage in any hedging activity to reduce its exposure to interest rate risk.

f) 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.

g) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

i. Cash deposits earn interest at rates which are variable. A plus or minus 1% change in interest rates would affect loss and comprehensive loss for the upcoming quarter by approximately $500.

ii. The Company's exploration expenditures are primarily incurred in US dollars. A plus or minus 1% change in US dollar exchange rates would affect loss and comprehensive loss for the upcoming quarter by approximately $4,000.

11. COMMITMENTS

Pursuant to the terms of the option agreement for the Santa Cruz property, the Company has commitments to make cash payments, issue shares and incur exploration expenditures on the property within the time periods specified in the agreement, summarized in Note 5.

12. SEGMENTED INFORMATION

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

	2008	2007
Mineral properties and equipment		
Canada	$ 1,583	$ 1,711
Mexico	2,070,450	1,617,850
	$ 2,072,033	$ 1,619,561

13. SUBSEQUENT EVENTS

None.