MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2007 AND 2006

Dated: December 21, 2007

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by management and are in accordance with Canadian Generally Accepted Accounting Principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the financial statements. Management maintains a system of disclosure controls and procedures designed to provide reasonable assurance that the assets are safeguarded and the financial and other factual information contained herein is accurate and reliable. Further, management has evaluated these controls and procedures and determined that they are appropriate and effective, and have so certified. In the current year, there has been no change in the Company's internal control over financial reporting that has materially affected, or is likely to materially affect, the Company's internal control over financial reporting.

The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing.

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made. See Notes to the Financial Statements regarding going concern, commitments, contingencies, legal matters, environmental matters and other matters, which could materially affect the Company's future business, results of operations, financial position and liquidity.

Description of Business

The Company is engaged primarily in the acquisition and exploration of mineral properties. In 2004, the Company undertook a number of reviews of potential business opportunities, and ultimately secured working interests in two properties, El Tigre and Las Sorpresas, both located in Peru, from Candente Resource Corp ("Candente").

The Company initiated exploration on the El Tigre and Las Sorpresas properties but as the Company reported in previous periods, all work on the Peruvian properties had been halted due to uncertain social conditions that had developed in many parts of the country. Candente had also agreed to defer all funding and other mutual commitments specified in the option agreements for both properties pending a favourable resolution of these conditions. With respect to El Tigre, while some resolution of the civil unrest has occurred in the area, following the assessment of all of the El Tigre results to date, the Company decided to discontinue any further work on the property and terminate its option, effective June 30, 2007. Unfortunately conditions in the Las Sorpresas area continue to be unsettled and no work can be attempted as yet.

On November 28, 2005, the Company had announced that it had acquired an option to earn a 51% interest in the Pamel property in Central Peru from Candente Resource Corp. through its subsidiaries, Cia Minera Oro Candente S.A. and Exploraciones Milenio S.A. Under the agreement, Orex has the right to earn a 51% interest in the property by incurring exploration expenditures of US$2.5 million over 5 years on the property with Candente conducting all exploration over the 5 years. In addition to the exploration expenditure commitments, Candente received 60,000 Orex common shares upon approval of the Agreement by the TSX Venture Exchange, and will receive additional staged share issuances totaling 250,000 common shares by May 31st, 2010. Of these, the Company issued 50,000 common shares to Candente on June 1, 2007.

Description of Business (continued)

Geochemical and geophysical work started in December 2005 on this property and identified a large anomaly. Based on these results, the Company planned a drilling program and a total of eleven holes, each of approximately 100 to 300 metres depth, were completed for a total of 2,586 metres. The Company received the results of the assays for all eleven holes and management was disappointed with the results overall. Consequently, a decision was made to not do further work on the Pamel property and to terminate the Pamel joint venture with Candente, effective June 30, 2007.

Following this determination, management turned its attention to acquiring additional properties of merit, and on June 21, 2007, the Company announced that it had entered into an option agreement with Silverex S.A. de C.V. ("Silverex") to acquire up to 75% interest in the Santa Cruz property in Durango, Mexico. Under the terms of the agreement, to earn an undivided 50% interest, the Company will issue 500,000 common shares and pay US $800,000 to Silverex upon the TSX Venture Exchange (the "Exchange") acceptance of the agreement. After one year from the date of acceptance, based on the success of the exploration, the Company may issue an additional 500,000 common shares and pay an additional US $800,000. After the second anniversary, the Company may make an additional cash payment to bring the total value of cash payments and share issuances to US $4,000,000. In addition, the Company is required to incur a minimum of US $500,000 of expenditures on the property in each year from the acceptance date for a total period of four years. At any time during this initial four-year program period, the Company has the option to earn an additional undivided 25% interest, having met the above share issue and cash payment requirements, by issuing additional common shares having a deemed value of US $1,000,000 and pay an additional US $3,000,000. Upon earning an undivided 75% interest, Orex and Silverex will participate on a joint venture basis in further exploration and development of the Santa Cruz property.

Located in the Sierra Madre Occidental Mountains, Otaez Municipality, midway between Tayoltita (San Dimas) and Topia mining camps, the Santa Cruz Property is in one of the world's most prolific mineral belts. Santa Cruz is an epithermal gold-silver camp divided into three structural districts. The property hosts three main gold-silver bearing districts, the Eastern, Central and Western, as well as the previously operating Santa Cruz Mine. Road access to the Orozco area of the Eastern District has now been completed. Construction of new roads to access the Zambraneña and Jesus Maria areas of the Western District is proceeding well following the rainy season. Additional reconnaissance rock sampling analyzed in October from the Western District is in agreement with the March 2007 sampling and has confirmed the high gold and silver prospectivity of this part of the Santa Cruz Camp, in particular the Zambraneña area.

Once the work program of upgrading and extending current roads has been completed, a full scale exploration program will begin immediately. We are currently evaluating numerous drilling options and anticipate signing a contract shortly. All exploration will be overseen by Orex Minerals Inc.

To date, the Company has paid the initial US $800,000 and issued 500,000 common shares to Silverex pursuant to the terms of the agreement. The Company has also advanced US $600,000 to rehabilitate old access roads, construct new access roads and an airstrip and to install an on-site communication system. As reported previously, there is an existing 90 ton/day mill facility on the property which required some refurbishing to recommence production. In November 2007, the Company signed a loan agreement to provide US $500,000 to Silverex to reinstate the mill to operating condition. Silverex provided the full mill facility as security for the loan. The loan provisions require that all net proceeds from the mill be paid to the Company to repay the loan, after which, the Company and Silverex will share operating net proceeds equally. Silverex will operate the mill and oversee test milling from both the mill and the highly lucrative tennantite operation which is not milled but hand-cobbed and sold directly to Chinese buyers.

Results for the Three Months Ended October 31, 2007 and 2006:

During the second quarter of 2008, the Company incurred exploration expenses amounting to $342,742, which were significantly higher than the $203,780 incurred in the second quarter of fiscal 2007. These expenses consisted of geological costs of $24,375, assay costs of $1,430, site costs of $316,493 and other general exploration costs of $444, all incurred on the Santa Cruz property. The exploration expenditures in 2007 were related to the Pamel program, discontinued in June of 2007.

General operating costs totalled $315,461 for the second quarter, which was 23 per cent higher than those incurred in second quarter of the prior year of $256,125. The Company incurred higher management costs of $41,300 up from the prior year amount of $36,200 and travel expenses of $32,918 up from $22,331, both due to the higher level of involvement by management in the assessment and optioning of the Santa Cruz property. Professional fees of $49,366 and rent of $18,930 increased from the prior year's amounts of $20,650 and $12,000 respectively, due both to higher activity and higher market prices. Also for the second quarter of 2008, the Company recorded a $104,890 charge to reflect the imputed non-cash cost of stock options to directors, officers, staff and consultants that vested in the quarter whereas the charge in same period of 2007 was $84,350. These increases were offset in part by lower consulting fees of $15,000 down from $28,490. Other costs were consistent with those incurred in the prior year.

The loss in the second quarter of 2008 amounted to $652,231 or $0.02 per share, which is 44 per cent higher than the loss for the same period of 2007 of $452,997 or $0.02 per share. The increase can be attributed primarily to the higher exploration costs for this year's second quarter.

Results for the Six Months Ended October 31, 2007 and 2006:

During the first six months of 2008, the Company incurred exploration expenses amounting to $372,309, which were significantly lower than the $492,649 incurred in fiscal 2007. These expenses consisted of geological costs of $43,277, assay costs of $1,942, site costs of $316,493 and other general exploration costs of $10,598, all incurred on the Santa Cruz property. The exploration expenditures in 2007 were related to the Pamel program, discontinued in June of 2007.

General operating costs totalled $563,127 for the first half, which was 53 per cent higher than those incurred in first half of the prior year of $368,917. The Company incurred higher management costs of $80,500 up from the prior year amount of $71,500 and professional fees of $59,629 up from $25,186, both due to the increase in activity in the year, especially with regards to assessment and optioning of the Santa Cruz property. Rent increased from $20,000 incurred in the prior year's first half to $35,730 due to the renewal of office space lease terms and the addition of office space for our geologists. In addition, the financing activity this year led to higher investor relations costs of $57,432 up from $38,199, and higher travel expenses of $70,888 whereas travel expenses of $22,331 were incurred in the first half of the prior year. Also for the first half of 2008, the Company recorded a $170,676 charge to reflect the imputed non-cash cost of stock options to directors, officers, staff and consultants that vested in the period, virtually double the charge of $84,350 in the same period of 2007. Other costs were consistent with those incurred in the prior year.

The loss in the first half of 2008 amounted to $910,153 or $0.02 per share, which is 7 per cent higher than the loss for the same period of 2007 of $853,300 or $0.04 per share. The increase can be attributed to higher general operating expenses, particularly the non-cash cost of stock options, which were offset in part by the lower exploration costs this year.

Property Acquisition Costs as of October 31, 2007:

	El Tigre Peru $	**Las Sorpresas** Peru $	**Pamel** Peru $	**Santa Cruz** Mexico $	**Total** $
Mineral properties, April 30, 2005	87,633	87,633	–	–	175,266
Acquisition costs capitalized during the year	–	–	16,800	–	16,800
Acquisition costs written-off during the year	(87,633	–	–	–	(87,633)
Mineral properties, April 30, 2006	–	87,633	16,800	–	104,433
Acquisition costs capitalized during the year	–	–	15,500	–	15,500
Acquisition costs written-off during the year	–	–	(32,300)	–	(32,300)
Mineral properties, April 30, 2007	–	87,633	–	–	87,633
Acquisition costs capitalized during the period	–	–	–	866,100	866,100
Mineral properties, October 31, 2007	–	87,633	–	866,100	953,733
Acquisition costs capitalized during the period	–	–	–	245,000	245,000
Mineral properties, December 21, 2007	–	87,633	–	1,111,100	1,198,733

In April of 2006, the Company issued 60,000 common shares valued at $16,800 to Candente Resource Corp. per the terms of the option agreement to earn a 51 per cent interest in the Pamel property in Peru. In July of 2007, the Company issued an additional 50,000 common shares valued at $15,500 to Candente. In June of 2007, the Company made a strategic decision to discontinue funding exploration on the Pamel property and to allow the option agreement on this property to expire. Accordingly, in fiscal 2007, the Company recorded a loss on disposal in the amount of $32,300 to reverse acquisition costs that had been capitalized to date.

In June of 2006, the Company made a strategic decision to discontinue funding exploration on the El Tigre property and to allow the option agreement on this property to expire. Accordingly, in fiscal 2006, the Company recorded a loss on disposal in the amount of $87,633 to reverse acquisition costs that had been capitalized in a prior period.

In June of 2007, the Company announced that it had entered into an option agreement with Silverex S.A. de C.V. to acquire up to 75% interest in the Santa Cruz property in Durango, Mexico. Per the terms of the agreement, the Company paid $866,100 to Silverex in June of 2007 and issued 500,000 common shares valued at $245,000 to Silverex subsequent to October 31, 2007.

Property Exploration Expenditures as of October 31, 2007:

	El Tigre Peru $	Las Sorpresas Peru $	Pamel Peru $	Santa Cruz Mexico $	Total $
YEAR TO DATE					
Drilling	–	–	–	–	–
Geophysical	–	–	–	–	–
Geochemical	–	–	–	511	511
Geological	–	–	–	43,277	43,277
Assay	–	–	–	1,430	1,430
Site costs	–	–	–	316,493	316,493
General exploration	–	–	–	10,598	10,598
Total expenditures for the period	–	–	–	372,309	372,309
TOTAL TO DATE					
Drilling	–	–	436,948	–	436,948
Geophysical	131,703	131,703	104,226	–	350,906
Geochemical	69,303	69,303	175,202	511	302,823
Geological	95,054	95,054	185,230	43,277	505,094
Assay	–	–	–	1,430	1,430
Site costs	–	–	–	316,493	316,493
General exploration	33,448	33,448	464,023	10,598	556,689
Total expenditures to date	329,508	402,937	1,365,629	372,309	2,470,383

Selected annual financial information:

		For the year ended April 30, 2007	For the year ended April 30, 2006	For the year ended April 30, 2005
Total revenues		Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:				
(i)	total for the year	2,311,292	997,037	988,036
(ii)	per share	0.09	0.08	0.10
(iii)	per share fully diluted	0.09	0.08	0.10
Net loss:				
(i)	total for the year	2,311,292	997,037	988,036
(ii)	per share	0.09	0.08	0.10
(iii)	per share fully diluted	0.09	0.08	0.10
Total assets		2,103,514	499,207	756,507
Total long-term financial liabilities		Nil	Nil	Nil
Cash dividends declared per-share		Nil	Nil	Nil

In fiscal years 2007, the loss for the year increased significantly due to the active exploration program underway which cost $1,332,792. General operating costs were also up significantly from prior years at $984,708 due to the inclusion of a $430,214 charge for stock-based compensation.

Property exploration costs incurred in 2006 and 2005 aggregated $336,895 and $428,387 respectively. The Company incurred general operating costs of $571,658 in 2006 and $559,063 in 2005 in support of the program and associated financing.

Selected quarterly financial information:

		4th Quarter Ended April 30, 2008	3rd Quarter Ended January 31, 2008	2nd Quarter Ended October 31, 2007	1st Quarter Ended July 31, 2007
(a)	Revenue			Nil	Nil
(b)	Loss for period			652,231	257,922
(c)	Loss per share			0.02	0.01
		4th Quarter Ended April 30, 2007	**3rd Quarter Ended January 31, 2007**	**2nd Quarter Ended October 31, 2006**	**1st Quarter Ended July 31, 2006**
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	559,374	898,618	452,997	400,303
(c)	Loss per share	0.02	0.03	0.02	0.02
		4th Quarter Ended April 30, 2006	**3rd Quarter Ended January 31, 2006**	**2nd Quarter Ended October 31, 2005**	**1st Quarter Ended July 31, 2005**
(a)	Revenue	Nil	Nil	Nil	Nil
(b)	Loss for period	286,124	360,066	154,353	196,494
(c)	Loss per share	0.02	0.03	0.01	0.02

The loss in the first quarter of fiscal 2008 was primarily due to the costs of sustaining the Company. Much of the second quarter loss was due to exploration costs on the Santa Cruz property, which amounted to $342,742 for the quarter. Also, during the first six months of 2008, the Company recorded stock option expense of $170,676 to reflect the imputed non-cash cost of stock options that vested in the period, virtually double the cost incurred in 2007.

The losses in fiscal 2007 were primarily due to the Company's exploration efforts on its three Peruvian properties, the Pamel property in particular. Losses for the fiscal year 2006 reflect the Company's costs of exploration on the Pamel property primarily, and for the previous three quarters, essentially the costs of sustaining the Company, as the work on the Company's other two properties, El Tigre and Las Sorpresas, had been halted due to social instability in the region.

Capital Stock:

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and Outstanding

	Number of Shares	Amount $
Balance at April 30, 2006	12,930,000	3,145,035
Issued during the year		
For cash:		
Private placements, net of share issuance costs	17,400,000	2,475,910
Exercise of options	200,000	40,000
Exercise of warrants	435,000	153,000
For services:		
Finders' fees for private placements	1,158,420	389,067
Transferred from contributed surplus:		
Exercise of options	–	12,000
Exercise of warrants	–	8,991
Balance at April 30, 2007	32,123,420	6,224,003
Issued during the period		
For cash:		
Private placements, net of share issuance costs	8,000,000	726,468
Exercise of warrants	210,500	54,850
For services:		
Finders' fees for private placements	397,500	125,200
For property:		
Issued for Pamel property	50,000	15,500
Transferred from contributed surplus:		
Exercise of warrants	–	20,701
Balance at October 31, 2007	40,781,420	7,166,722
Issued during the period		
For cash:		
Exercise of warrants	564,500	127,150
For property:		
Issued for Pamel property	500,000	245,000
Transferred from contributed surplus:		
Exercise of warrants	–	45,403
Balance at December 21, 2007	41,845,920	7,584,275

(c) Stock Options

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 activity since April 30, 2006 is presented below:

	Number of Shares	**Weighted Average Exercise Price** $
Outstanding, April 30, 2006	1,287,000	0.32
Granted	1,430,000	0.43
Exercised	(200,000)	0.20
Expired	(25,000)	0.40
Outstanding, April 30, 2007	2,492,000	0.39
Granted	1,565,000	0.27
Outstanding, October 31, 2007 and December 21, 2007	4,057,000	0.34

Stock options outstanding at December 21, 2007 expire between April 19, 2008 and September 27, 2012.

The following table summarizes the stock options outstanding at October 31, 2007 and December 21, 2007:

Number of Common Shares Issuable	**Exercise Price**	**Expiry Date**
25,000	$0.23	April 19, 2008
150,000	$0.21	March 27, 2008
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
4,057,000		

(d) Warrants

Warrant activity since April 30, 2006 is presented below:

	Number of Shares	Weighted Average Exercise Price $
Outstanding, April 30, 2006	3,280,000	0.42
Issued	9,279,210	0.30
Exercised	(435,000)	0.35
Expired	(2,980,000)	0.42
Outstanding, April 30, 2007	9,144,210	0.30
Issued	4,198,750	0.20
Exercised	(210,500)	0.26
Outstanding, October 31, 2007	13,132,460	0.27
Exercised	(564,500)	0.23
Outstanding, December 21, 2007	12,567,960	0.27

Warrants outstanding at December 21, 2007 expire between March 25, 2008 and June 4, 2009.

The following table summarizes the warrants outstanding at October 31, 2007 and December 21, 2007:

Number of Common Shares Issuable			
October 31, 2007	December 21, 2007	Exercise Price	Expiry Date
4,587,550	4,215,550	$0.20	June 6, 2008
2,002,560	1,860,060	$0.30	March 25, 2008
2,343,600	2,343,600	$0.50	May 3, 2008
4,198,750	4,148,750	$0.20	June 4, 2009
13,132,460	12,567,960		

(e) Contributed Surplus

	Amount $
Balance at April 30, 2006	148,180
Stock-based compensation recorded during the year	430,214
Fair value of warrants issued for services	107,975
Relative fair value of warrants issued for cash in private placements	830,740
Transferred to share capital upon exercise of stock options	(12,000)
Transferred to share capital upon exercise of warrants	(8,991)
Balance at April 30, 2007	1,496,118
Stock-based compensation recorded during the period	170,676
Fair value of warrants issued for services	40,500
Relative fair value of warrants issued for cash in private placements	293,500
Transferred to share capital upon exercise of warrants	(20,701)
Balance at October 31, 2007	1,980,093
Transferred to share capital upon exercise of warrants	(45,403)
Balance at December 21, 2007	1,934,690

Financial Position:

The Company's cash position declined from the opening level of $1,967,092 comprised of cash on hand of $167,092 and $1,800,000 in short-term investments at the beginning of the year to the period end level of $1,395,986 comprised of cash on hand of $195,986 and $1,200,000 in short-term investments.

On June 4, 2007, the Company closed a private placement and 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. Values of $906,500 and $293,500 were assigned to the common shares and warrants, respectively, based on their relative fair values at the closing date of the private placements. In connection with the private placement, the Company issued 397,500 units as a commission with terms similar to those issued under the private placement. Values of $125,200 and $40,500 were assigned to the common shares and warrants, respectively, based on their fair values at the closing date of the private placements. The Company incurred other cash share issuance costs of $14,332. The fair values of the warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model.

Additional funding was received during the first half from the exercise of warrants whereby the Company issued 210,500 shares for proceeds of $54,850.

The proceeds from the completion of a private placement and warrant exercises were used to make the initial payment pursuant to the new option agreement for the Santa Cruz property in Mexico, to perform preliminary rehabilitation work on the property and to sustain the Company's general operations. The operating loss for the year of $910,153, after adjustments for non-cash items and changes in other working capital balances, required total cash funding of $945,524.

In the first quarter, the Company incurred cash property acquisition costs of $866,100 for the Santa Cruz property, pursuant to the terms of the option agreement with Silverex S.A. de C.V.

As a consequence, at the end of the second quarter, the funds on hand at the beginning of the year of $1,967,092, supplemented by the net cash proceeds of share and warrant issuances aggregating $1,240,518 were used to partially fund the cash loss from operations of $945,524 and the cash costs of the Santa Cruz property agreement of $866,100 such that at October 31, 2007, the Company held $1,395,986 in its accounts.

Subsequent to October 31, 2007 and to the date of this report, the Company received $127,500 for the exercise of warrants whereby the Company issued 564,500 common shares.

And, on November 5, 2007, pursuant to the terms of the Santa Cruz option agreement, the Company issued 500,000 common shares valued at $245,000 to the optionor. Also in November 2007, the Company agreed to loan on a secured basis US $500,000 to Silverex to refurbish the existing mill.

Commitments:

As reported previously under the terms of the option agreement with Candente, the original phasing of exploration expenditures for the Las Sorpresas property was as follows:

		Las Sorpresas
		(US$)
December 31, 2004	$	250,000
December 31, 2005		500,000
December 31, 2006		750,000
December 31, 2007		1,000,000
	$	2,500,000

However, due to the uncertain conditions in Peru, Candente had agreed to defer these scheduled funding commitments until conditions improved and work could resume on the Las Sorpresas property. Pursuant to the Las Sorpresas option agreement, the Company was committed to issue a further 200,000 common shares in stages before January 31, 2008 but these share issuances have also been deferred until the exploration program resumes.

On May 29, 2007, the Company gave written notice to Candente of its decision to terminate the options on the El Tigre and Pamel properties effective June 30, 2007. The Company does not have any outstanding obligations or commitments for these two properties.

Pursuant to an agreement dated June 14, 2007, the Company was granted an option by Silverex S.A. de C.V. to acquire up to 75% interest in the Santa Cruz property in Durango, Mexico. Under the terms of the agreement, to earn an undivided 50% interest, the Company will issue 500,000 common shares and pay US $800,000 to Silverex upon the TSX Venture Exchange (the “Exchange”) acceptance of the agreement. After one year from the date of acceptance, based on the success of the exploration, the Company may issue an additional 500,000 common shares and pay an additional US $800,000. After the second anniversary, the Company may make an additional cash payment to bring the total value of cash payments and share issuances to US $4,000,000. In addition, the Company is required to incur a minimum of US $500,000 of expenditures on the property in each year from the acceptance date for a total period of four years. At any time during this initial four-year program period, the Company has the option to earn an additional undivided 25% interest, having met the above share issue and cash payment requirements, by issuing additional common shares having a deemed value of US $1,000,000 and pay an additional US $3,000,000. Upon earning an undivided 75% interest, Orex and Silverex will participate on a joint venture basis in further exploration and development of the Santa Cruz Property.

As reported under the terms of the option agreement with Silverex, the phasing of exploration expenditures for the Santa Cruz property is as follows:

		Santa Cruz
		(US$)
Year 1	$	500,000
Year 2		500,000
Year 3		500,000
Year 4		500,000
	$	2,000,000

Presently, management believes it has adequate working capital to meet its short-term obligations but anticipates that additional working capital will be required before drilling can commence and will be raised by additional placements of its common shares with investors in the near future.

Related Party Transactions:

(a) Due to Related Parties

There were no amounts due to related parties at April 30, 2007 or October 31, 2007 for management fees.

(b) Related Party Transactions

During the six months ended October 31, 2007, the Company incurred management fees of $80,500 (2007 – $71,500) to companies controlled by officers of the Company. 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.

Changes in Accounting Policies (Including Initial Adoption):

(a) Comprehensive Income

CICA Handbook Section 1530, "Comprehensive Income" provides standards for the reporting and presentation of comprehensive income. Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Company's shareholders. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. The Company reports comprehensive income and its components, net of tax in the Statement of Operations and Deficit.

(b) Financial Instruments

(i) Fair value of financial instruments

CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" prescribes when a financial asset, financial liability or non-financial derivative shall be recognized on the balance sheet and the measurement of such amount. Under this new standard, all financial instruments will be classified as one of the following: held-to-maturity, held-for-trading or available-for-sale. Financial assets held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, will be measured at amortized cost. Available-for-sale instruments will be measured at fair value with unrealized gains and losses recognized in other comprehensive income.

The Company has designated the following classifications:

- Cash and cash equivalents are classified as "financial assets held-to-maturity."
- Short-term investments are classified as "financial assets held-to-maturity."
- Accounts receivable and prepaid expense are classified as "loans and receivables."
- Accounts payable and accrued liabilities are classified as "other financial liabilities." After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost.

These new standards are to be applied without restatement of prior period amounts. The adoption of this policy did not result in any change in net income for the current period.

(ii) Concentrations of business risk

The Company maintains all of its cash and cash equivalents and short-term investments 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.

(c) Hedges

CICA Handbook Section 3865, "Hedges" provides alternative reporting and presentation treatments to Handbook Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. The Company does not currently have any hedging relationships thus the adoption of this section did not have a material effect on the Company's reported financial position or results of operations.

Subsequent Events:

(a) On November 5, 2007, the Company issued 500,000 common shares valued at $245,000 to Silverex S.A. de C.V. pursuant to the terms of the agreement for the Santa Cruz property.

(b) In November 2007, the Company signed a loan agreement to provide US $500,000 to Silverex to reinstate the existing mill on the property to operating condition. Silverex provided the full mill facility as security for the loan. The loan provisions require that all net proceeds from the mill be paid to the Company to repay the loan, after which, the Company and Silverex will share operating net proceeds equally.

(c) From November 1, 2007 to December 21, 2007, the Company issued 564,500 common shares pursuant to the exercise of warrants for gross proceeds of $127,500.

Additional Information:

Additional information relating to the Company may be accessed on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.