OREX MINERALS INC.
(An Exploration Stage Company)
QUARTERLY REPORT TO SHAREHOLDERS
JANUARY 31, 2009
(Expressed in Canadian Dollars)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 2009

Dated: March 16, 2009

Management's Responsibility for Financial Reporting

The accompanying interim consolidated 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 audited annual consolidated financial statements. Management maintains a system of disclosure controls and procedures ("DC&P") 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 disclosure controls and procedures and determined that they are appropriate and effective, and have so certified. As part of the system of disclosure controls and procedures, the Company maintains a set of internal controls over financial reporting ("ICFR") which were developed in accordance with the guidance from the Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management's evaluation and conclusions on the effectiveness of the Company's DC&P thereby apply to the Company's internal controls over financial reporting also. In the current period, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably 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.

PERU:

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 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. Conditions in Peru continued to be unsettled and no work could be attempted, and in fiscal 2008, the Company decided to also terminate its option on Las Sorpresas.

Also, on November 28, 2005, the Company 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. Geochemical and geophysical work on this property identified a large anomaly and the Company completed a drilling program of eleven holes, each of approximately 100 to 300 metres depth, for a total of 2,586 metres. The Company received the assays for all eleven holes and management was disappointed with the results overall. Consequently, a decision was made to terminate the Pamel joint venture with Candente, effective June 30, 2007.

Description of Business (continued)

MEXICO:

Following these determinations, 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 a 75% interest in its 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 and, more recently, the Zambraneña area of the Western District has now been completed. Construction of drill pads in the Zambraneña area is underway. Description of a Phase-I drilling program of approximately 3,000 metres has been distributed for tender to contract drilling companies. This program is expected to be carried out before the beginning of the rainy season.

Geological crews have been mobilized on-site and detailed geological mapping in the Western and Eastern Districts has commenced. To date, 432 rock samples have been collected for analysis. Once the work program of upgrading and extending current roads has been completed, a full scale exploration program will begin. All exploration will be overseen by the Company.

To date, the Company has paid acquisition costs of $1,318,700 (US $1,250,000) and issued 500,000 common shares to Silverex pursuant to the terms of the agreement. The Company has also advanced funds 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 has been reconditioned. In November 2007, the Company paid $506,750 (US $500,000) to reinstate the mill to operating condition. Net proceeds generated from operations will be shared equally by the Company and Silverex. Silverex will operate the mill and oversee test milling and the Company will serve in an advisory role.

The Santa Cruz Mill commenced test operation in mid-June 2008 at an initial rate of 50 tpd, utilizing the south ball-mill and south banks of flotation cells. The north ball-mill and flotation cells are planned for operation, increasing capacity to 90 tpd. For a brief period before the rainy season, the hand-cobbed tennantite program operated in the La Fragua area, under the direction of Silverex. In August 2008, severity of the rainy season lead to a shutdown of the mill due to difficulties moving material from the mining portal to the mill site. Repairs to the haulage roads were completed after the rainy season ended. Milling operations are currently halted pending a review of the mill feed sourcing from the Santa Cruz and Zambraneña areas.

In the Western District, the road access has now reached the Zambraneña area. A spur road to the Carmen area is under construction, as are additional drill pads. There is an airstrip on the property for which, approval by the Civil Aeronautics in Mexico City has been received.

Results of Operation for the Three Months Ended January 31, 2009 and 2008:

In the third quarter of fiscal 2009, the Company incurred exploration expenses amounting to $462,846, which was 58 per cent higher than the $293,362 incurred in the same period in fiscal 2008, when the Company was less active in its work program on the Santa Cruz property in Mexico. These expenses consisted of geological costs of $102,798, assay costs of $22,757, site costs of $302,051 primarily for road rehabilitation necessitated by substantial damage from an unusually severe rainy season earlier in the year, and other general exploration costs of $35,240, all incurred on the Santa Cruz property. The exploration expenditures in the third quarter of fiscal 2008 were also incurred on the Santa Cruz property.

General operating costs totalled $141,411 for the quarter, which was 28 per cent lower than those incurred in 2008 of $195,872. The decrease can be attributed primarily to lower stock-based compensation expense this year. The Company recorded a $37,775 charge to reflect the imputed non-cash cost of stock options to directors, officers, staff and consultants that vested in the period, which was significantly lower than the charge of $77,125 in the third quarter of 2008. As well, investor relations activities were scaled back significantly this quarter in response to deteriorating market conditions, with a cost of $1,950 in the current quarter compared to $23,645 incurred last year. All other costs were consistent with those incurred in the prior year.

The loss in the third quarter of 2009 amounted to $603,195 or $0.01 per share, which is 27 per cent higher than the loss in the third quarter of 2008 of $476,537 or $0.01 per share. The increase can be attributed primarily to the higher exploration costs incurred this quarter which were partially offset by lower stock-based compensation expense.

Results of Operation for the Nine Months Ended January 31, 2009 and 2008:

In the first nine months of fiscal 2009, the Company incurred exploration expenses amounting to $1,405,803, which was 112 per cent higher than the $665,672 incurred in the same period in fiscal 2008, when the Company was just initiating its work program on the Santa Cruz property in Mexico. These expenses consisted of geological costs of $231,224, assay costs of $31,874, site costs of $1,085,977 primarily for road rehabilitation, and other general exploration costs of $56,728, all incurred on the Santa Cruz property. The site costs rose 87 per cent for road repairs required due to the severe rain damage this past winter. The exploration expenditures in the first nine months of fiscal 2008 were also incurred on the Santa Cruz property.

General operating costs totalled $621,691 for the first nine months of 2009, which was 18 per cent lower than those incurred in the same period of 2008 of $758,998. As was the case for the current quarter, the decrease can be attributed primarily to lower stock-based compensation expense. For the first nine months of this year, the Company recorded a $106,685 charge to reflect the imputed non-cash cost of stock options to directors, officers, staff and consultants that vested in the period, which was significantly lower than the charge of $247,801 in the same period of 2008. As mentioned above, investor relations activities were scaled back significantly in the third quarter in response to deteriorating market conditions, resulting in a cost of $65,383 for the nine month period compared to $81,077 incurred last year. Travel costs of $60,357 were also lower compared to $71,926 incurred last year when more travel was required for the assessment and optioning of the Santa Cruz property. In the current year, the Company incurred higher professional fees of $87,325 due to the preparation required for a financing compared to the amount incurred in the prior year of $64,629. Other costs were consistent with those incurred in the prior year.

The loss in the first nine months of 2009 amounted to $2,040,471 or $0.04 per share, which is 47 per cent higher than the loss in the first nine months of 2008 of $1,386,690 or $0.03 per share. The increase can be attributed primarily to the higher exploration costs incurred this year on the Santa Cruz property.

(Expressed in Canadian Dollars)

Property Acquisition Costs:

	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 January 31, 2009 and March 16, 2009	$ -	$ 2,095,450	$ 2,095,450

In July of 2008, the Company made a strategic decision to discontinue funding exploration on the Las Sorpresas property and to allow the option agreement on this property to expire. Accordingly, in fiscal 2008, 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, to date the Company has paid acquisition costs of $1,318,700 (US $1,250,000), issued 1,000,000 common shares valued at $270,000 to Silverex and paid $506,750 (US $500,000) for refurbishment of the existing mill, for total capitalized costs of $2,095,450.

Property Exploration Expenditures as of January 31, 2009:

	Las Sorpresas Peru $	Santa Cruz Mexico $	Total $
YEAR TO DATE			
Geological	–	231,224	231,224
Assay	–	31,874	31,874
Site costs	–	1,085,977	1,085,977
General exploration	–	56,728	56,728
Total expenditures for the period	–	1,405,803	1,405,803
TOTAL TO DATE			
Geophysical	114,977	–	114,977
Geochemical	57,807	–	57,807
Geological	181,533	363,471	545,004
Assay	–	33,973	33,973
Site costs	–	1,880,834	1,880,834
General exploration	129,261	71,121	200,382
Total expenditures to date	483,578	2,349,399	2,832,977

(Expressed in Canadian Dollars)

Selected annual financial information:

		For the year ended April 30, 2008	For the year ended April 30, 2007	For the year ended April 30, 2006
Total revenues		Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:				
(i)	total for the year	$ 2,034,009	$ 2,311,292	$ 997,037
(ii)	per share	0.05	0.09	0.08
(iii)	per share fully diluted	0.05	0.09	0.08
Net loss:				
(i)	total for the year	$ 2,034,009	$ 2,311,292	$ 997,037
(ii)	per share	0.05	0.09	0.08
(iii)	per share fully diluted	0.05	0.09	0.08
Total assets		$ 2,516,307	$ 2,103,514	$ 499,207
Total long-term financial liabilities		Nil	Nil	Nil
Cash dividends declared per-share		Nil	Nil	Nil

In fiscal year 2008, the loss for the year was lower than the previous year as the focus of exploration, which cost $1,024,237, transitioned to the Company's new Santa Cruz property in Mexico. General operating costs were also slightly lower than prior years at $966,740 and included a $324,926 charge for stock-based compensation.

In fiscal year 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 aggregated $336,895. The Company incurred general operating costs of $571,658 in support of the program and associated financing.

Selected quarterly financial information:

		4th Quarter Ended April 30, 2009	3rd Quarter Ended January 31, 2009	2nd Quarter Ended October 31, 2008	1st Quarter Ended July 31, 2008
(a)	Revenue		Nil	Nil	Nil
(b)	Loss for period		603,195	689,273	748,003
(c)	Loss per share		0.01	0.01	0.02
		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	Nil	Nil
(b)	Loss for period	647,319	476,537	652,231	257,922
(c)	Loss per share	0.02	0.01	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	0.02	0.02	0.02

(Expressed in Canadian Dollars)

Selected quarterly financial information (continued):

The losses in the first, second and third quarters of fiscal 2009 were primarily due to the exploration costs on the Santa Cruz property, which amounted to $476,091, $466,866 and 462,846 respectively. For the first quarter of fiscal 2009, a major component of general operating expenses was a charge of $59,135 for stock-based compensation recorded to reflect the computed value of stock options that vested in the period.

The loss in the first quarter of fiscal 2008 was primarily due to the costs of sustaining the Company. The higher second, third and fourth quarter losses were primarily due to exploration costs on the Santa Cruz property, which amounted to $342,742, $293,362 and $358,565 respectively. General operating costs remained relatively in line in all quarters.

The losses in fiscal 2007 were primarily due to the Company's exploration efforts on its three Peruvian properties, the Pamel property in particular.

Capital Stock:

(a) 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)	-
Balance at April 30, 2008	43,885,920	8,615,455	1,574,510
Mineral properties	500,000	25,000	-
Warrants exercised	3,505,550	950,896	(249,786)
Stock-based compensation	-	-	106,685
Balance at January 31, 2009	47,891,470	9,591,351	1,431,409
Private placements	16,000,000	1,600,000	-
Finders Fees	1,200,000	120,000	-
Share issuance costs	-	(120,000)	-
Balance at March 16, 2009	65,091,470	$ 11,191,351	$ 1,431,409

(Expressed in Canadian Dollars)

Capital Stock (continued):

(b) 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	(798,060)		0.30	-		-
Outstanding, April 30, 2008	9,907,900		0.27	3,882,000		0.35
Granted	-		-	700,000		0.15
Exercised	(3,505,550)		0.20	-		-
Expired	(2,353,600)		0.50	-		-
Forfeited	-		-	(45,000)		0.39
Outstanding, January 31, 2009	4,048,750		0.20	4,537,000		0.32
Granted	17,200,000		0.15	-		-
Outstanding, March 16, 2009	21,248,750	$	0.16	4,537,000	$	0.32

On January 7, 2009, the Company announced that it intends to reduce the exercise price of 3,787,000 incentive stock options (with exercise prices of $0.26 to $0.43) to $0.10 per share, subject to TSX Venture Exchange acceptance, as well as, in the case of insiders of the Company, the approval of disinterested shareholders. The Company intends to seek such disinterested shareholder approval at its next annual general meeting scheduled for September 2009. Accordingly each of the subject option holders will have the exercise price of their options reduced to $0.10 per share.

(Expressed in Canadian Dollars)

Capital Stock (continued):

(b) Stock options and warrants (continued)

The following options and warrants to acquire common shares of the Company were outstanding at January 31, 2009 and March 16, 2009:

Number of Shares At January 31, 2009	Number of Shares At March 16, 2009	Exercise Price	Expiry Date
Options			
574,000	574,000	$ 0.40	June 7, 2009
100,000	100,000	0.33	November 2, 2009
111,000	111,000	0.30	March 23, 2010
92,000	92,000	0.25	May 6, 2010
1,205,000	1,205,000	0.43	September 11, 2011
200,000	200,000	0.43	November 6, 2011
25,000	25,000	0.35	May 9, 2012
1,530,000	1,530,000	0.27	September 27, 2012
200,000	200,000	0.26	June 17, 2013
250,000	250,000	0.10	December 19, 2013
250,000	250,000	0.11	January 30, 2011
Warrants			
4,048,750	4,048,750	0.20	June 4, 2009
-	17,200,000	0.15	February 24, 2011

Financial Position:

The Company's cash position declined from the opening level of $705,887 at the beginning of the year to the period-end level of $12,139.

On September 29, 2008, the Company announced its intention to raise additional operating capital by means of a non-brokered unit private placement and as of January 31, 2009, had received $538,000 for share subscriptions to this private placement.

Additional funding was received during the first nine months from the exercise of 3,505,550 warrants whereby the Company issued 3,505,550 shares for cash proceeds of $701,110. An amount of $249,786, attributed to the value of these warrants at the time of issue, was transferred from contributed surplus to share capital as a result.

The operating loss for the first nine months of $2,040,471, after adjustments for non-cash items and changes in other working capital balances, required total cash funding of $1,480,258.

In addition, during the first nine months of 2009, the Company paid cash acquisition costs of $452,600 (US$450,000) for the Santa Cruz property, pursuant to the terms of the option agreement with Silverex S.A. de C.V., adding to its mineral property costs.

As a consequence, at the end of the third quarter, the funds on hand at the beginning of the period of $705,887, supplemented by the net cash proceeds of share issuances from warrant exercises aggregating $701,110 and share subscriptions received of $538,000 were used to fund the cash loss from operations of $1,480,258 and the cash acquisition costs of the Santa Cruz property agreement of $452,600, such that at January 31, 2009, the Company held $12,139 in its accounts.

Subsequent to the period end, the Company received additional share subscriptions of $1,062,000 toward its non-brokered private placement and on February 24, 2009, the Company issued 16,000,000 units at $0.10 per unit for gross proceeds received of $1,600,000. Each unit consisted of one common share and one non-transferable 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 $180,000 as a commission with terms similar to those issued under the private placement.

Commitments:

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 a 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 (November 1, 2007), 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. To date, the Company has issued 1,000,000 shares, valued at $270,000, and paid $1,318,700 (US $1,250,000), the initial payment of US $800,000 plus advances of US $450,000 towards its next cash payment requirement of US $800,000, to Silverex. The Company has also paid $506,750 (US $500,000) for refurbishment of the existing mill on the property so that a small-scale mining operation can commence.

(Expressed in Canadian Dollars)

Commitments (continued):

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$)
November 1, 2008	$	500,000
November 1, 2009		500,000
November 1, 2010		500,000
November 1, 2011		500,000
	$	2,000,000

The Company has incurred exploration expenditures on the Santa Cruz property totaling $2,349,399 to January 31, 2009.

Due to the recent world economic instability, in the third quarter of 2009, Silverex and the Company discussed and agreed to suspend each other's commitments per their option agreement and to discuss amendments to best sustain their mutual objectives under these unusual economic and market conditions. The Company has reiterated its strong interest in the Santa Cruz property.

Summary:

While at the period end, the Company had cash of only $12,139, subsequent to the period end, additional cash receipts in the form of share subscriptions were received as noted above which supplemented the Company's cash resources to some degree and permitted the Company to continue its road extensions to a number of its target drill sites. However, the Company will require additional funds to complete its planned drilling program and the assay of core samples. Currently, market conditions are unpredictable from day to day, but appear somewhat favourable for the financing of early exploration of new potential ground. The Company was recently successful in raising in total $1.6 million, and believes that it will be able to raise additional funds to complete this planned program, maintain its operations and meet its commitments to Silverex over the remainder of the calendar year. However, there is no certainty that the Company will be able to raise the needed funds to continue its operations and meet its commitments, and as a consequence, the Company would need to minimize its costs and cancel its immediate plans for continued exploration of the property until market conditions improved and new financing could be secured.

Related Party Transactions:

The Company entered into the following transactions with related parties:

(a) Paid or accrued management fees of $127,300 (2008 - $121,600) to companies controlled by officers of the Company.

(b) Paid or accrued rent of $55,170 (2008 - $54,120) to a company with common directors.

(c) Paid or accrued fees of $29,672 (2008 - $3,600) 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.

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".

(a) CICA 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.

(b) CICA 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 is 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.

(c) CICA 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.

(d) CICA 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.

Adoption of New Accounting Standards and Developments (continued):

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 International Financial Reporting Standards ("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.

Financial Instruments:

(a) 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.

(b) 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.

(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.

Financial Instruments (continued):

(d) Foreign Exchange Risk (continued)

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

January 31, 2009:	$ 0.8153 US dollars
	$ 11.5929 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. 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 $4,500.

Subsequent Events:

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 non-transferable 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 placement. 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.

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.