OREX VENTURES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

APRIL 30, 2007 AND 2006

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Orex Ventures Inc.
(An Exploration Stage Company)

We have audited the balance sheets of Orex Ventures Inc. as at April 30, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

August 3, 2007

OREX VENTURES INC.

BALANCE SHEETS

AS AT APRIL 30, 2007 AND 2006

	2007 $	**2006** $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	167,092	157,385
Short-term investments	1,800,000	–
Receivables	42,456	23,679
Prepaid expense	3,890	210,219
	2,013,438	391,283
PROPERTY AND EQUIPMENT (Note 3)	2,443	3,491
MINERAL PROPERTIES (Note 4)	87,633	104,433
	2,103,514	499,207
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	109,795	14,213
Due to related parties (Note 11(a))	–	2,889
	109,795	17,102
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 5)	6,224,003	3,145,035
SHARES ISSUABLE (Note 4(c))	15,500	–
CONTRIBUTED SURPLUS (Note 6)	1,496,118	148,180
SUBSCRIPTIONS RECEIVED (Note 5(b)(i))	–	619,500
DEFICIT	(5,741,902)	(3,430,610)
	1,993,719	482,105
	2,103,514	499,207

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 13)

Approved on Behalf of the Board of Directors:

“Gary Cope”	Director	*“Ross Wilmot”*	Director
Gary Cope		Ross Wilmot	

(The accompanying notes are an integral part of these financial statements)

OREX VENTURES INC.

STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED APRIL 30, 2007 AND 2006

	2007 $	**2006** $
REVENUE	–	–
EXPENSES		
Amortization	1,048	1,496
Bank charges and interest	1,050	739
Consulting fees	98,909	93,645
Exploration expenditures (Note 7)	1,332,792	336,895
Insurance	5,484	4,537
Investor and public relations	92,697	97,642
Management fees (Note 11(b))	143,900	120,400
Office and adminstrative	47,740	35,023
Professional fees	20,569	29,745
Rent	44,000	24,000
Repairs and maintenance	3,671	1,453
Stock-based compensation (Note 8)	430,214	118,760
Telephone and communications	1,557	2,074
Transfer agent and filing fees	22,834	12,241
Travel and promotion	71,035	29,903
	2,317,500	908,553
LOSS BEFORE OTHER ITEMS	(2,317,500)	(908,553)
OTHER ITEMS		
Foreign exchange gain (loss)	709	(2,983)
Loss on write-off of mineral property (Notes 4(a) and (c))	(32,300)	(87,633)
Interest income	37,799	2,132
LOSS FOR THE YEAR	(2,311,292)	(997,037)
DEFICIT, BEGINNING OF YEAR	(3,430,610)	(2,433,573)
DEFICIT, END OF YEAR	(5,741,902)	(3,430,610)
BASIC AND DILUTED LOSS PER SHARE (Note 10)	(0.09)	(0.08)

OREX VENTURES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30, 2007 AND 2006

	2007 $	**2006** $
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	(2,311,292)	(997,037)
Items not involving cash and cash equivalents:		
Amortization	1,048	1,496
Loss on write-off of mineral property	32,300	87,633
Stock-based compensation expense	430,214	118,760
	(1,847,730)	(789,148)
Changes in operating assets and liabilities:		
Receivables	(18,777)	(3,959)
Prepaid expense	206,329	15,894
Accounts payable and accrued liabilities	95,582	(15,323)
Due to related parties	(2,889)	–
	(1,567,485)	(792,536)
FINANCING ACTIVITIES		
Proceeds from common shares issued, net of cash share issue costs	2,546,462	–
Proceeds from warrants issued in private placements	830,730	–
Proceeds from share subscriptions received	–	619,500
	3,377,192	619,500
INVESTING ACTIVITIES		
Purchases of short-term investments	(1,800,000)	–
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	9,707	(173,036)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	157,385	330,421
CASH AND CASH EQUIVALENTS, END OF YEAR	167,092	157,385
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for:		
Interest	–	–
Income taxes	–	–
Non-cash financing and investing activities:		
Common shares issued for mineral properties	–	16,800
Common shares to be issued for mineral properties	15,500	–
Common shares and warrants issued for services	497,042	–

1. NATURE AND CONTINUANCE OF OPERATIONS

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 domiciled 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.

As at April 30, 2007, the Company had working capital of $1,903,642, and accumulated losses of $5,741,902 since inception. The continuance of the Company's operations is dependent on obtaining sufficient additional financing in order to realize the recoverability of the Company's investments in mineral properties, which is dependent upon the existence of economically recoverable reserves and market prices for the underlying minerals.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to the recoverability or valuation of receivables and mineral properties, the utilization of future income tax assets, the valuation of asset retirement obligations and stock-based compensation. Actual results may ultimately differ from those estimates.

(c) Cash Equivalents

The Company considers all highly liquid investments with a term to maturity of three months or less on the date of purchase to be cash equivalents.

(d) 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 the lower of cost or fair market value.

(e) Translation of Foreign Currencies

Transactions and balances in currencies other than the Canadian dollar are translated using the temporal method under which revenue, expenses and non-monetary balances are converted at exchange rates prevailing at the transaction dates and monetary balances are converted at rates prevailing at year-end with resulting exchange gains and losses recognized in the determination of income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Earnings (loss) per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding using the treasury stock method, to reflect the potential dilution of securities that could result from the exercise of "in the money" stock options and warrants.

(g) Long-Lived Assets

The recoverability of long-lived assets, which includes property and equipment and mineral properties, is assessed when an event occurs indicating impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time the carrying amount is written down to fair value.

(h) Mineral Properties

Mineral property acquisition costs are capitalized, exploration costs are expensed, and development costs are capitalized once a mineral property is determined to be economically viable. Capitalized mineral property costs will be amortized upon the commencement of commercial production using the unit of production basis.

(i) Stock-Based Compensation

The Company has a plan for granting stock options to management, directors, employees and consultants. The Company recognizes compensation expense for this plan under the fair value based method in accordance with CICA Handbook section 3870 "Stock-Based Compensation and Other Stock-Based Payments". Under this method, the fair value of each option grant is estimated on the date of the grant and amortized over the vesting period, with the resulting amortization credited to contributed surplus. The Company estimates the fair value of each grant using the Black-Scholes option-pricing model. Consideration paid by employees on the exercise of stock options is recorded as share capital.

(j) Asset Retirement Obligations

Effective January 1, 2004, the Company adopted a new Canadian accounting standard for asset retirement obligations. Under the new standard, the Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation. As at April 30, 2007, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and taxes bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(l) Comparative Figures

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

3. PROPERTY AND EQUIPMENT

	Cost $	Accumulated Amortization $	**2007** Net Book Value $	**2006** Net Book Value $
Computer equipment	5,541	3,098	2,443	3,491

4. MINERAL PROPERTIES

	El Tigre Peru $	Las Sorpresas Peru $	Pamel Peru $	Total $
2007				
Mineral properties, beginning of the year	–	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, end of the year	–	87,633	–	87,633
2006				
Mineral properties, beginning of the year	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, end of the year	–	87,633	16,800	104,433

4. MINERAL PROPERTIES (continued)

(a) El Tigre, 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 "El Tigre" property. In 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. Under the agreement, the Company was required to incur US$2,500,000 in exploration and development expenditures before December 31, 2007. During the year ended April 30, 2006, the Company experienced unfavourable soil sampling results. Accordingly, the Company tested the property for impairment which resulted in an impairment charge of $87,633, which has been recorded in the statement of operations. On May 29, 2007, the Company gave written notice to Candente Resource Inc. (“Candente”) of its decision to terminate the option on the El Tigre property effective June 30, 2007.

(b) 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 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. Under the agreement, the Company was required to incur US$2,500,000 in exploration and development expenditures before December 31, 2007. Exploration of the Las Sorpresas property was halted in 2005 due to certain social conditions, preventing the Company from meeting the original expenditure deadlines. Accordingly, Candente has agreed to defer the deadlines for expenditures and shares issuances indefinitely until six months after any exploration program has been commenced. The option agreement for the Las Sorpresas property was in good standing at April 30, 2007.

(c) Pamel, Peru

Pursuant to an agreement dated November 24, 2005, the Company was granted an option to acquire a 51% undivided interest in certain mineral claims situated in Peru, known as the "Pamel" property, for which the Company issued 60,000 shares at $0.28 per share on April 4, 2006, and 50,000 shares at $0.31 per share on June 1, 2007 to the optionors and was required to issue a further 200,000 shares in stages to May 31, 2010. Under the agreement, the Company was required to incur US$2,500,000 in exploration and development expenditures over a 5 year period. During the year ended April 30, 2007, the Company experienced unfavourable soil sampling results and on May 29, 2007, the Company gave written notice to Candente of its decision to terminate the option on the Pamel property effective June 30, 2007. Accordingly, an impairment charge of $32,300 was charged to operations. Included in the impairment charge was the value of 50,000 shares that were issuable to Candente as at April 30, 2007, pursuant to the terms of the option agreement. These shares were issued on June 1, 2007 and were valued at $15,500 based on the fair value on the date of issuance.

5. SHARE CAPITAL

(a) Authorized Share Capital

Unlimited number of common shares without par value

(b) Issued and Outstanding Share Capital

	Number of Shares	Amount $
Balance, April 30, 2005	12,870,000	3,128,235
Issued during the year		
For property:		
Issued for Pamel mineral property (Note 4(c))	60,000	16,800
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

(i) On June 6, 2006, the Company issued 9,000,000 units at $0.15 per unit for gross proceeds of $1,350,000 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 $1,050,300 and $299,700 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 611,100 units as a commission with terms similar to those issued under the private placement. Values of $128,331 and $36,666 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 $13,684. The fair values of the warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model. Cash proceeds of $619,500 were received during the year ended April 30, 2006.

5. SHARE CAPITAL (continued)

(b) Issued and Outstanding Share Capital (continued)

(ii) On September 25, 2006, the Company issued 4,000,000 units at $0.25 per unit for gross proceeds of $1,000,000 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 18 months from the date of closing at a price of $0.30 per common share. Values of $762,000 and $238,000 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 260,120 units as a commission with terms similar to those issued under the private placement. Values of $130,060 and $40,579 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 $12,240. The fair values of the warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model.

(iii) On November 3, 2006, the Company issued 4,400,000 units at $0.35 per unit for gross proceeds of $1,540,000 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 18 months from the date of closing at a price of $0.50 per common share. Values of $1,246,960 and $293,040 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 287,200 units as a commission with terms similar to those issued under the private placement. Values of $130,676 and $30,730 were assigned to the common shares and warrants, respectively, based on their fair values at the closing date of the private placements. The Company paid cash commissions of $7,280 and incurred other cash share issuance costs of $53,104. The fair values of the warrants issued in connection with this private placement were computed using the Black-Scholes option-pricing model.

(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.

5. SHARE CAPITAL (continued)

(c) Stock Options (continued)

Stock option activity since April 30, 2005 is presented below:

	Number of Shares	Weighted Average Exercise Price $
Outstanding, April 30, 2005	1,195,000	0.34
Granted	267,000	0.23
Cancelled	(175,000)	0.32
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

During the year ended April 30, 2007, the board of directors approved the extension of the expiry dates of 303,000 stock options as follows:

Number of Options	Exercise Price	Original Expiry Date	New Expiry Date
100,000	$0.33	November 2, 2006	November 2, 2009
111,000	$0.30	March 23, 2007	March 23, 2010
92,000	$0.25	May 6, 2007	May 6, 2010
303,000			

For these extensions, the Company recorded an incremental value of $40,900 in stock-based compensation expense (See Note 8).

The following table summarizes the stock options outstanding and exercisable at April 30, 2007:

Options Outstanding				Options Exercisable	
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
$0.21 - $0.25	267,000	1.6	0.23	267,000	0.23
$0.30 - $0.33	211,000	2.7	0.31	211,000	0.31
$0.40 - $0.44	2,014,000	3.7	0.42	1,600,250	0.42
	2,492,000	3.4	0.39	2,078,250	0.38

The options outstanding at April 30, 2007 will expire between March 27, 2008 and November 6, 2011.

5. SHARE CAPITAL (continued)

(d) Warrants

Warrant activity since April 30, 2005 is presented below:

	Number of Shares	Weighted Average Exercise Price $
Outstanding, April 30, 2005	7,655,000	0.42
Issued	–	–
Expired	(4,375,000)	0.42
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

Warrants outstanding at April 30, 2007 expire between March 28, 2008 and June 6, 2008.

6. CONTRIBUTED SURPLUS

	2007 $	**2006** $
Balance, beginning of year	148,180	29,420
Stock-based compensation recorded during the year	430,214	118,760
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, end of year	1,496,118	148,180

7. EXPLORATION EXPENDITURES

	El Tigre Peru $	Las Sorpresas Peru $	Pamel Peru $	Total $
2007				
Drilling	-	-	436,948	436,948
Geophysical	61,010	-	68,087	129,097
Geochemical	13,403	4,146	65,912	83,461
Geological	13,223	70,711	158,001	241,935
General exploration	-	3,329	438,022	441,351
	87,636	78,186	1,166,970	1,332,792
2006				
Geophysical	3,999	3,999	36,140	44,138
Geochemical	14,938	4,993	109,290	129,221
Geological	54,592	48,555	27,229	130,376
General exploration	4,749	2,410	26,001	33,160
	78,278	59,957	198,660	336,895

8. STOCK-BASED COMPENSATION

During the year ended April 30, 2007, the Company granted 1,430,000 (2006 – 267,000) stock options to directors, officers and consultants of the Company. The weighted average fair value of each option granted was $0.31 (2006 - $0.06) using the Black-Scholes option-pricing model at the date of each grant using the following assumptions:

	2007	**2006**
Expected option lives	5 years	2 years
Risk-free interest rate	4.00%	3.57%
Expected dividend yield	0%	0%
Expected stock price volatility	93%	50%

During the year ended April 30, 2007, the Company recognized $430,214 (2006 - $118,760) of compensation cost which has been recorded in stock-based compensation expense.

9. INCOME TAXES

In assessing the realization of the Company's future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

(a) The significant components of the Company's future tax assets are as follows:

	2007	**2006**
	$	$
Future income tax assets:		
Non-capital tax losses carried forward	859,000	707,000
Share issue costs	138,000	–
Property and equipment	1,000	1,000
Canadian exploration expenses	56,000	56,000
Canadian development expenses	16,000	16,000
Foreign exploration expenses	686,000	225,000
Total gross future income tax assets	1,756,000	1,005,000
Valuation allowance	(1,756,000)	(1,005,000)
Net future income tax assets	–	–

(b) As at April 30, 2007, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of $2,517,000 expiring as follows:

	$
2008	148,000
2009	257,000
2010	187,000
2014	289,000
2015	427,000
2026	710,000
2027	499,000
	2,517,00 0

10. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share was 26,758,000 (2006 – 12,871,000). Outstanding share options, agent options and warrants have not been considered in the computation of diluted loss per share as the result is anti-dilutive.

11. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Due to Related Parties

As at April 30, 2006, due to related parties consists of $2,889 payable to a company controlled by an officer of the Company for management fees. This amount is non-interest bearing, unsecured and has no fixed terms of repayment. There were no amounts due to related parties at April 30, 2007.

(b) Related Party Transactions

During the year ended April 30, 2007, the Company incurred management fees of $143,900 (2006 – $120,400) to an officer and 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.

12. FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

The Company has various financial instruments including cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities and due to related parties. 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 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.

13. SUBSEQUENT EVENTS

(a) On May 9, 2007, the Company granted 25,000 stock options to a consultant with an exercise price of $0.35 per share expiring May 9, 2012.

(b) On May 29, 2007, the Company gave written notice to Candente Resource Inc. of its decision to terminate the options on the El Tigre and Pamel properties effective June 30, 2007.

(c) On June 1, 2007, the Company issued 50,000 common shares to Candente Resource Inc. pursuant to the terms of the Pamel property agreement.

(d) 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 share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional common share for 24 months from the date of closing at a price of $0.20 per common share.

(e) 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 the Santa Cruz property in Durango, Mexico. To earn an undivided 50% interest in the property, the Company must:

(i) issue 500,000 common shares of the Company and pay US$800,000 to Silverex upon the acceptance of the agreement by the TSX Venture Exchange (the "Acceptance Date");

(ii) issue 500,000 common shares of the Company and pay US$800,000 one year from the Acceptance Date;

(iii) make a payment equal to US$4,000,000 less the fair value of shares issued and payments made in Notes (i) and (ii), two years from the Acceptance Date; and

(iv) incur a minimum of US$500,000 of expenditures on the property in each year from the Acceptance Date for a period of four years.

To earn an additional undivided 25% interest in the property, the Company must:

(i) issue common shares of the Company with a fair value of US$500,000 and pay US$1,500,000 three years from the Acceptance Date; and

(ii) issue common shares of the Company with a fair value of US$500,000 and pay US$1,500,000 four years from the Acceptance Date.

The interest in the property is subject to an NSR royalty equal to 2% of net smelter returns from commercial production derived from the property. Should the Company not meet the conditions to earn the additional 25% undivided interest in the property, Silverex will have the option to reacquire the 50% undivided interest in the property, if earned, for the greater of US$4,000,000 or the Company's costs incurred to the date of exercise. Should the Company earn an undivided 75% interest in the property, the Company and Silverex will participate on a joint venture basis in further exploration and development activities.