OREX MINERALS INC. (FORMERLY OREX VENTURES INC.)
(An Exploration Stage Company)
ANNUAL REPORT TO SHAREHOLDERS
FOR THE YEARS ENDED APRIL 30, 2008 AND 2007
(Expressed in Canadian Dollars)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED APRIL 30, 2008 AND 2007

Dated: August 21, 2008

Management's Responsibility for Financial Reporting

The accompanying 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 consolidated 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.

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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 this year so the Company decided to also terminate its option on Las Sorpresas effective July 29, 2008.

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 had 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 was to 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.

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.

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 has now been completed. Construction of new roads to access the Zambraneña and Jesus Maria areas of the Western District is proceeding following delays due to the harsh rainy season.

Two geological crews have been mobilized on-site and detailed geological mapping in the Western and Eastern Districts has commenced. Once the work program of upgrading and extending current roads has been completed, a full scale exploration program will begin. We are currently evaluating numerous drilling options and anticipate signing a contract shortly. All exploration will be overseen by the Company.

To date, the Company has paid $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 required some refurbishing to recommence production. In November 2007, the Company advanced $506,750 (US $500,000) to reinstate the mill to operating condition and for this, Silverex provided the full mill facility as security. Net proceeds generated from operations will be shared equally by the Company and Silverex. 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.

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 shortly, increasing capacity to 90 tpd. The hand-cobbed tennantite operation has also commenced in the La Fragua area, under the direction of Silverex.

The road access is now extended to near the Zambraneña area. A little road work remains to be completed, as well as spur roads for drill stations. There is an airstrip on the property for which, approval by the Civil Aeronautics in Mexico City has been received, and repairs have commenced.

Results of Operations for the Three Months Ended April 30, 2008 and 2007:

During the fourth quarter, the Company incurred exploration expenses amounting to $358,565, which were 74 per cent higher than the $205,877 incurred in fiscal 2007. The increase was due to the higher level of exploration activities undertaken in the current year. The current year costs were incurred primarily on the Santa Cruz property.

General operating costs totalled $207,741 for the fourth quarter, which was 39 per cent lower than those incurred in the fourth quarter of the prior year of $337,914. The decrease was almost entirely due to the lower charge recorded to reflect the imputed non-cash cost of stock options granted to directors, officers, staff and consultants, of $77,125. In the comparable quarter of 2007, the cost was $237,889. Other administrative costs were in line with those of the prior year.

Overall, the loss in the fourth quarter of fiscal 2008 amounted to $647,319 or $0.02 per share, which is higher than the loss for the fourth quarter of 2007 of $559,374 or $0.02 per share. The increase can be attributed primarily to the higher exploration costs this year.

Results for the Years Ended April 30, 2008 and 2007:

In 2008, the Company incurred exploration expenses amounting to $1,024,237, which was significantly lower than the $1,332,792 incurred in 2007. These expenses consisted of geological costs of $132,247, assay costs of $2,099, site costs of $794,857 and other general exploration costs of $95,034, all incurred on the Santa Cruz property except for $80,641 of general exploration costs which were incurred on the Las Sorpresas property. The exploration expenditures in 2007 were related to the Pamel program, discontinued in June of 2007, and included $436,948 of drilling costs.

General operating costs totalled $966,740 for the year, which was slightly lower than those incurred in 2007 of $984,708. The Company incurred higher management costs of $162,700, up 13 per cent from the prior year amount of $143,900, and professional fees of $65,327, up from $20,569, 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 $44,000 incurred in 2007 to $72,510 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 $112,871 up 22 per cent, from $92,697. These increases were offset in part by lower consulting fees of $65,660, down 34 per cent, from $98,909 incurred last year when the Company closed three private placements of its common shares. As well, the Company recorded a $324,926 charge to reflect the imputed non-cash cost of stock options to directors, officers, staff and consultants that vested in the period, which was 24 per cent lower than the charge of $430,214 in 2007. Other costs were consistent with those incurred in the prior year.

The loss in 2008 amounted to $2,034,009 or $0.05 per share, which is 12 per cent lower than the loss in 2007 of $2,311,292 or $0.09 per share. The decrease can be attributed primarily to the lower exploration costs for this year.

(Expressed in Canadian Dollars)

Property Acquisition Costs:

	Las Sorpresas, Peru	Pamel, Peru	Santa Cruz, Mexico	Total
Balance, as at, April 30, 2006	$ 87,633	$ 16,800	$ -	$ 104,433
Acquisition costs	-	15,500	-	15,500
Write-off	-	(32,300)	-	(32,300)
Balance, as at April 30, 2007	87,633	-	-	87,633
Acquisition costs	-	-	1,111,100	1,111,100
Write-off	(87,633)	-	-	(87,633)
Advances on equipment	-	-	506,750	506,750
Balance, as at April 30, 2008	-	-	1,617,850	1,617,850
Acquisition costs	-	-	452,600	452,600
Balance, as at August 21, 2008	$ -	$ -	$ 2,070,450	$ 2,070,450

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 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 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 $1,318,700 (US $1,250,000), issued 500,000 common shares valued at $245,000 to Silverex and advanced $506,750 (US $500,000), for total capitalized costs of $2,070,450.

(Expressed in Canadian Dollars)

Property Exploration Expenditures as of April 30, 2008:

	Las Sorpresas Peru $	**Pamel** Peru $	**Santa Cruz** Mexico $	**Total** $
YEAR TO DATE				
Drilling	–	–	–	–
Geophysical	–	–	–	–
Geochemical	–	–	–	–
Geological	–	–	132,247	132,247
Assay	–	–	2,099	2,099
Site costs	–	–	794,857	794,857
General exploration	80,641	–	14,393	95,034
Total expenditures for the period	80,641	–	943,596	1,024,237
TOTAL TO DATE				
Drilling	–	436,948	–	436,948
Geophysical	144,977	104,226	–	219,203
Geochemical	57,807	175,202	–	233,009
Geological	181,533	185,230	132,247	499,010
Assay	–	–	2,099	2,099
Site costs	–	–	794,857	794,857
General exploration	129,261	464,023	14,393	607,677
Total expenditures to date	483,578	1,365,629	943,596	2,792,803

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.

(Expressed in Canadian Dollars)

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	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
		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. 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. 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.

(Expressed in Canadian Dollars)

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, 2006	12,930,000	$ 3,145,035	$ 148,180
Private placements	17,400,000	3,059,260	830,740
Finders Fees	1,158,420	389,067	107,975
Options exercised	200,000	52,000	(12,000)
Warrants exercised	435,000	161,991	(8,991)
Share issuance costs	-	(583,350)	-
Stock-based compensation	-	-	430,214
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
Warrants exercised	3,505,550	950,896	(249,786)
Stock-based compensation	-	-	65,635
Balance at August 21, 2008	47,391,470	$ 9,566,351	$ 1,390,359

(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.

(Expressed in Canadian Dollars)

Capital Stock (continued):

(b) Stock options and warrants (continued)

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, 2006	3,280,000	$	0.42	1,287,000	$	0.32
Granted	9,279,210		0.30	1,430,000		0.43
Exercised	(435,000)		0.35	(200,000)		0.20
Expired	(2,980,000)		0.42	25,000		0.40
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	-		-	200,000		0.26
Exercised	(3,505,550)		0.20	-		-
Expired	(2,353,600)		0.50	-		-
Outstanding, August 21, 2008	4,048,750	$	0.20	4,082,000	$	0.35

The following options and warrants to acquire common shares of the Company were outstanding at April 30, 2008 and August 21, 2008:

Number of Shares At April 30, 2008	Number of Shares At August 21, 2008		Exercise Price	Expiry Date
Options				
584,000	584,000	$	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
25,000	25,000		0.44	November 1, 2011
200,000	200,000		0.43	November 6, 2011
25,000	25,000		0.35	May 9, 2012
1,540,000	1,540,000		0.27	September 27, 2012
-	200,000		0.26	June 17, 2013
Warrants				
2,343,600	-		0.50	May 3, 2008
3,515,550	-		0.20	June 6, 2008
4,048,750	4,048,750		0.20	June 4, 2009

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 year-end level of $705,887.

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. In connection with the private placement, the Company issued 397,500 units, valued at $59,625, as a commission with terms similar to those issued under the private placement. The Company incurred other cash share issuance costs of $14,332.

Additional funding was received during the year from the exercise of options and warrants whereby the Company issued 2,815,000 shares for proceeds of $698,750.

During the year, 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. Also in accordance with the terms of the property agreement, the Company advanced $506,750 (US $500,000) to Silverex to refurbish the existing mill on the Santa Cruz property.

The proceeds from the completion of the private placement and warrant exercises were used to make the initial payment pursuant to the option agreement for the Santa Cruz property in Mexico, to advance funds to Silverex for refurbishment of the existing mill, to perform preliminary rehabilitation work on the property and to sustain the Company's general operations. The operating loss for the year of $2,034,009, after adjustments for non-cash items and changes in other working capital balances, required total cash funding of $1,772,773.

As a consequence, at the end of the year, 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 $1,884,418 were used to partially fund the cash loss from operations of $1,772,773, the cash costs of the Santa Cruz property agreement of $866,100 and the $506,750 advanced to Silverex, such that at April 30, 2008, the Company held $705,887 in its accounts.

Subsequent to April 30, 2008 and to the date of this report, the Company received $701,110 for the exercise of warrants whereby the Company issued 3,505,550 common shares.

(Expressed in Canadian Dollars)

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 500,000 shares, valued at $245,000, 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 thus maintaining the Santa Cruz property agreement in good standing at the date of this report. The Company has also advanced $506,750 (US $500,000) to Silverex for refurbishment of the existing mill on the property so that a small-scale mining operation can commence.

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

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:

The Company entered into the following transactions with related parties:

(a) Paid or accrued management fees of $162,700 (2007 - $143,900) to companies controlled by officers of the Company.

(b) Paid or accrued rent of $72,510 (2007 - $44,000) to a company with common directors.

(c) Paid or accrued fees of $11,290 (2007 - $7,713) 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:

(a) Financial Instruments

Effective May 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855"), Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges". These new sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

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

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

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

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning May 1, 2008. The Company will adopt the applicable requirements commencing in the interim period ended July 31, 2008 and is currently considering the impact this will have on the Company's financial statements.

(b) 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.

<u>Adoption of New Accounting Standards and Developments (continued):</u>

(c) 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 will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital,
(ii) summary quantitative data about what it manages as capital.
(iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
(iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(d) 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.

(e) 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.

(f) International Financial Reporting Standards (“IFRS”)

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

Financial Instruments:

(a) Fair value of financial instruments

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

(b) Concentrations of business risk

The Company maintains its cash 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.

Subsequent Events:

Subsequent to April 30, 2008, the Company:

(c) Issued 3,505,550 common shares for proceeds of $701,110 pursuant to the exercise of warrants.

(d) Granted incentive stock options to purchase 200,000 common shares at a price of $0.26 expiring June 17, 2013.

(e) Advanced $452,600 (US $450,000) to Silverex as part of the US $800,000 payment required by the one year anniversary of TSX Venture Exchange acceptance of the Santa Cruz property agreement.

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.