OREX MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Orex Minerals Inc.

We have audited the accompanying consolidated financial statements of Orex Minerals Inc. which comprise the consolidated balance sheets as at April 30, 2011 and 2010 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Orex Minerals Inc. as at April 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Orex Minerals Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

August 26, 2011

NEXIA INTERNATIONAL

OREX MINERALS INC.
CONSOLIDATED BALANCE SHEETS
AS AT APRIL 30

	2011	2010
ASSETS		
Current		
Cash	$ 2,455,973	$ 1,349,967
Receivables	135,367	131,603
Prepaid expenses	222,713	149,615
	2,814,053	1,631,185
Deposits	4,911	-
Mineral properties (Note 4)	9,701,607	2,090,000
	$ 12,520,571	$ 3,721,185
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 368,799	$ 103,629
Current portion of deferred consideration (Note 3)	1,320,558	-
	1,689,357	103,629
Deferred consideration (Note 3)	3,108,382	-
	4,797,739	103,629
Shareholders' equity		
Share capital (Note 5)	24,504,796	17,215,312
Contributed surplus (Note 5)	2,410,617	2,407,031
Deficit	(19,192,581)	(16,004,787)
	7,722,832	3,617,556
	$ 12,520,571	$ 3,721,185

Nature and continuance of operations (Note 1)
Commitments (Note 8)
Subsequent events (Note 13)

On behalf of the Board:

/s/ Gary Cope Director */s/ Rick Sayers* Director

Gary Cope Rick Sayers

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

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEAR ENDED APRIL 30

	2011	2010
EXLORATION EXPENSES		
Drilling	$ 609,381	$ 318,867
Geological	571,925	474,415
Assay	84,627	182,503
Site costs	-	259,999
General exploration	477,110	254,035
	1,743,043	1,489,819
GENERAL EXPENSES		
Amortization	-	1,199
Consulting fees	60,000	60,000
Investor relations	273,236	301,882
Management fees	173,250	167,500
Office and administrative	135,724	88,514
Professional fees	428,239	77,369
Rent	72,000	76,650
Stock-based compensation (Note 5)	46,931	933,480
Transfer agent and filing fees	52,052	28,900
Travel and entertainment	158,914	82,779
	1,400,346	1,818,273
Loss before other items	(3,143,389)	(3,308,092)
OTHER ITEMS		
Write-off of mineral properties (Note 4)	(35,200)	(1,991,810)
Write-off of payables	-	81,459
Foreign exchange gain (loss)	(13,825)	27,829
Interest income	4,620	573
Loss and comprehensive loss for the year	(3,187,794)	(5,190,041)
Deficit, beginning of year	(16,004,787)	(10,814,746)
Deficit, end of year	$ (19,192,581)	$ (16,004,787)
Basic and diluted loss per common share	$ (0.13)	$ (0.30)
Weighted average number of common shares outstanding	24,290,807	17,371,795

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

OREX MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED APRIL 30

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (3,187,794)	$ (5,190,041)
Items not affecting cash:		
Amortization	-	1,199
Write-off of mineral properties	35,200	1,991,810
Write-off of payables	-	(81,459)
Stock-based compensation	46,931	933,480
Changes in non-cash working capital items:		
(Increase) decrease in receivables	5,725	(90,558)
(Increase) decrease in prepaid expenses	48,179	(132,868)
Decrease in accounts payable and accrued liabilities	138,692	(17,175)
Net cash flows used in operating activities	(2,913,067)	(2,585,612)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries (Note 3)	(1,956,349)	-
Acquisition of mineral properties	(35,200)	-
Net cash used in investing activities	(1,991,549)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of share capital	6,057,787	3,469,006
Share issue costs	(47,165)	(43,789)
Net cash provided by financing activities	6,010,622	3,425,217
Increase in cash during the year	1,106,006	839,605
Cash, beginning of year	1,349,967	510,362
Cash, end of year	$ 2,455,973	$ 1,349,967

Supplemental disclosure with respect to cash flows (Note 7)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Orex Minerals Inc. (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on April 25, 1996. The Company's principal business activities include the acquisition and exploration of mineral properties in Mexico and Sweden.

The Company is in the exploration stage and has not yet determined whether any of its properties contain ore reserves that are economically recoverable. The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

On October 19, 2010, the Company consolidated its issued and outstanding common shares on a 5 old for 1 new basis. Trading of the consolidated shares commenced on October 20, 2010. All share, warrant, option and per share amounts in these financial statements have been retrospectively changed to reflect the share consolidation (Note 5).

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception and the inability to raise additional financing may impact the future assessment of the Company as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available in the future. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, OVI Exploration de Mexico S.A. de C.V., which was incorporated on August 21, 2007, Servicios Mineros Orex Silver S.A. de C.V, which was incorporated on July 9, 2010, and Gunnarn Mining AB and its wholly-owned subsidiary Gunnarn Exploration AB, which were acquired on April 29, 2011. All significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the year. Significant accounts that require estimates relate to the impairment of mineral properties, the utilization of future income tax assets, the valuation of asset retirement obligations, warrants in private placements, shares issued in non-cash transactions and stock-based compensation. Actual results may differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties

All costs related to the acquisition of mineral property interests are capitalized by property. Exploration and development costs are expensed as incurred. The development costs are capitalized once a mineral property is determined to be economically viable. Capitalized costs of the related property are then reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. Management reviews the carrying value of mineral properties regularly for possible impairment. Impairment is also considered whenever events or changes in circumstances indicate that a mineral property's carrying amount may not be recoverable.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in the loss and comprehensive loss for the year.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options. Any consideration paid by the option holders to purchase shares is credited to share capital.

Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The amount added to the long-lived asset will be amortized in the same manner as the related asset. The Company has determined that it has no asset retirement obligations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Financial instruments

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

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and deferred consideration are classified as other financial liabilities which are measured at amortized cost.

Additional disclosure on the measurement of fair value of financial instruments has been provided in Note 11, including classification within a three level hierarchy that takes into account the significance of the inputs used in making the fair value measurements. The three levels of the fair value hierarchy are described below.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Adoption of new accounting standards and developments

Business Combinations

On May 1, 2010, the Company adopted Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Adoption of new accounting standards and developments (cont'd…)

Business Combinations (cont'd…)

Sections 1582 and 1602 require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests to be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

Future accounting pronouncements

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 Company's transition date of May 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011.

3. ACQUISITION OF SUBSIDIARIES

On October 27, 2010, the Company signed a letter of intent with Barsele Guld A.B. ("Barsele Guld"), a wholly-owned subsidiary of Northland Resources S.A. ("Northland") to purchase all of the issued and outstanding shares of two Swedish companies, Gunnarn Mining A.B. ("Gunnarn Mining") and its wholly-owned subsidiary, Gunnarn Exploration A.B. ("Gunnarn Exploration"). The primary assets of Gunnarn Mining are mining claims for the Barsele Central, Avan, Skiråsen and Norra resource areas located in northern Sweden, collectively known as the Barsele property. Gunnarn Mining's operating results were recognized in the consolidated statement of operations beginning April 29, 2011, the effective date of the acquisition.

The Company and Barsele Guld completed the final agreement on April 29, 2011 and as the initial consideration, the Company paid $1,958,230 (US$2,000,000) and issued 1,153,997 common shares valued at $1,015,517 to the vendor. The Company also issued 250,000 common shares valued at $220,000 as a finder's fee. In addition, the Company agreed to make the following deferred consideration payments to Barsele Guld, in cash and issuances of common shares of the Company, with a total value, after applying a 7.5% discount rate, of $4,428,940 (US$5,500,000, undiscounted):

3. ACQUISITION OF SUBSIDIARIES (cont'd…)

	2011	2010
On the 1st anniversary of completing the final agreement, US$1,000,000 in cash plus the lesser of 1,000,000 common shares or the number of common shares valued at US$500,000. If the value of the common shares issued is less than US$500,000, the balance shall be paid in cash	$ 1,320,558	$ -
On the 2nd anniversary of completing the final agreement, US$2,000,000 in cash	1,637,902	-
On the 3rd anniversary of completing the final agreement, the lesser of 2,000,000 common shares or the number of common shares valued at US$1,000,000. If the value of the common shares issued is less than US$1,000,000, the balance shall be paid in cash	761,815	-
On the 4th anniversary of completing the final agreement, the lesser of 2,000,000 common shares or the number of common shares valued at US$1,000,000. If the value of the common shares issued is less than US$1,000,000, the balance shall be paid in cash	708,665	-
Total deferred consideration	4,428,940	-
Current portion of deferred consideration	(1,320,558)	-
Long term deferred consideration	$ 3,108,382	$ -

In addition, the Company agreed to make direct exploration expenditures as follows:

a) Before the 1st anniversary of completing the final agreement, US$1,000,000 of exploration expenditures;

b) Before the 2nd anniversary of completing the final agreement, an additional US$2,000,000 of exploration expenditures.

Barsele Guld will retain a 2% net smelter returns royalty on the Barsele property, which the Company may purchase at any time for US$2,000,000 per percentage point, or a total of US$4,000,000.

After completing the 1st anniversary cash payment and share issuance, as well as having incurred US$3,000,000 in cumulative exploration expenditures, the Company will have the option of returning the shares of Gunnarn Mining and Gunnarn Exploration to Barsele Guld in order to extinguish any further obligations under the terms of the agreement. The Company will retain this option until 30 days prior to the 2nd anniversary of completing the final agreement.

3. ACQUISITION OF SUBSIDIARIES (cont'd…)

The allocation of the purchase cost to the subsidiaries' assets and liabilities is as follows:

Cash	$	1,881
Receivables		9,489
Prepaid expenses		121,277
Deposits		4,911
Mineral properties		7,611,607
Accounts payable and accrued liabilities		(126,478)
Total consideration	$	7,622,687

4. MINERAL PROPERTIES

	Santa Cruz, Mexico	Coneto, Mexico	Las Mesas, Mexico	Barsele, Sweden	Total
Balance, as at April 30, 2009	$ 2,095,450	$ -	$ -	$ -	$ 2,095,450
Acquisition costs	-	2,090,000	-	-	2,090,000
Write-off	(2,095,450)	-	-	-	(2,095,450)
Balance, as at April 30, 2010	-	2,090,000	-	-	2,090,000
Acquisition costs	-	-	35,200	7,611,607	7,646,807
Write-off	-	-	(35,200)	-	(35,200)
Balance, as at April 30, 2011	$ -	$ 2,090,000	$ -	$ 7,611,607	$ 9,701,607

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

4. MINERAL PROPERTIES (cont'd…)

Santa Cruz, Mexico

The Company was granted an option to acquire up to a 75% interest in the Santa Cruz property in Durango, Mexico from Silverex S.A. de C.V ("Silverex"). Pursuant to the terms of the option agreement, during fiscal 2008, the Company issued 100,000 common shares valued at $245,000 and paid $866,100. In fiscal 2008, the Company also advanced $506,750 (US$500,000) to the optionor to be used for the refurbishment of equipment and machinery on the property. During fiscal 2009, the Company issued 100,000 additional common shares valued at $25,000 and paid $452,600 (US$450,000) to Silverex. The Company did not complete all required payments under the option agreement and was required to make an additional US$350,000 payment prior to November 1, 2008.

During fiscal 2010, Silverex and the Company entered into negotiations to amend the agreement in the best interests of both parties. While negotiations were underway, the Company instead decided to terminate the option agreement on Santa Cruz and focus exploration efforts on its new Coneto property. The Company communicated its intent to Silverex and negotiated a termination agreement.

Pursuant to the termination agreement, Silverex and the Company agreed to extinguish all outstanding liabilities and commitments to each other and accordingly, a loss on disposal of mineral property of $1,991,810 was charged to operations during fiscal 2010. This charge consisted of a write-off of capitalized costs for Santa Cruz, in the amount of $2,095,450, and a write-off of an account payable to Silverex in the amount of $103,640.

Coneto, Mexico

On July 16, 2009, the Company signed a letter of intent to purchase 100% of the core mineral concessions within the Coneto silver-gold mining camp in Durango State, Mexico, in exchange for 2,200,000 common shares of the Company. The definitive purchase agreement, signed on September 1, 2009, was subject to the approval of the TSX Venture Exchange. After receiving TSX Venture Exchange approval, on April 15, 2010, the Company issued 2,200,000 shares to the vendors of the Coneto concessions, valued at $2,090,000.

The Coneto property is subject to a 2.5% NSR royalty payable to the vendors.

During fiscal 2011, the Company signed a non-binding letter of intent with Fresnillo PLC ("Fresnillo") to jointly explore the contiguous mineral concessions held by the Company and Fresnillo in the Coneto mining district. The principal terms of the letter of intent are:

a) Fresnillo will spend a minimum of US$2,000,000 on exploration during the first year within the Coneto mining concessions.

b) Fresnillo will have the option to spend an additional US$2,000,000 per year on exploration for each of the following two years.

c) Upon Fresnillo spending an aggregate of US$6,000,000 on exploration activities, the Company and Fresnillo will each contribute their respective Coneto mining concessions to a new company ("NewCo") that initially would be owned 55% by Fresnillo and 45% by the Company.

4. MINERAL PROPERTIES (cont'd…)

Coneto, Mexico (cont'd…)

d) Fresnillo will have the right to increase its ownership of NewCo to 70% by advancing the Coneto project to the pre-feasibility stage.

e) Following the delivery of a pre-feasibility report, any additional funding required will be provided by the Company and Fresnillo in proportion to their respective ownership interests in NewCo.

f) Fresnillo will have a right of first refusal to acquire the Company's ownership interest in NewCo if the Company proposes to sell its interest to a third party.

g) Fresnillo will participate in a unit private placement of the Company's common shares for a total consideration of $2,000,000. The price per unit will be set at $0.80 and the private placement will close on the execution of the definitive joint venture transaction documents. Each unit will consist of one common share and one half of one share purchase warrant. Each whole share purchase warrant will be valid for 24 months from the date of the private placement, and entitle Fresnillo to purchase one additional common share of the Company at a price of $1.00 per share.

h) During the life of the joint venture, in the event that the Company enters into a transaction to acquire an interest in any additional mineral properties in Mexico and then later decides to sell or option out that interest to a third party, Fresnillo will have a right of first refusal to participate in such transaction on the same terms and conditions as offered to the third party.

The Company expects to enter a definitive agreement with Fresnillo, per the terms indicated in the letter of intent.

Las Mesas, Mexico

On November 30, 2010, the Company entered into an option agreement to acquire a 100% interest in the Las Mesas property in Durango, Mexico from La Cuesta International, S.A. de C.V. ("La Cuesta") for US$4,000,000, less any option maintenance payments, as described below, paid prior to the exercise of the option. To initiate the option agreement, the Company paid La Cuesta $35,200 (US$35,000) in cash.

The Las Mesas property is subject to a 1.0% NSR royalty payable to La Cuesta. To maintain the option in good standing, the Company was required to make staged cash payments to La Cuesta totalling US$77,500 over the next four years and then US$40,000 each subsequent year.

In addition, the Company was required to incur exploration expenditures of US$50,000 on the Las Mesas property prior to December 1, 2011.

Subsequent to April 30, 2011 the Company received the assays from its drill program on Las Mesas and management was disappointed with the results overall. A decision was made to terminate the Las Mesas option agreement and consequently, mineral property costs of $35,200 were written-off during fiscal 2011.

4. MINERAL PROPERTIES (cont'd…)

Barsele, Sweden

On April 29, 2011, the Company completed the final agreement with Barsele Guld to purchase all of the issued and outstanding shares of Gunnarn Mining and its wholly-owned subsidiary, Gunnarn Exploration (Note 3). The primary assets of Gunnarn Mining are mining claims for the Barsele Central, Avan, Skiråsen and Norra resource areas located in northern Sweden, collectively known as the Barsele property.

Per the terms of the agreement, the Company agreed to make direct exploration expenditures on the Barsele property as follows:

a) Before the 1st anniversary of completing the final agreement, US$1,000,000 of exploration expenditures;

b) Before the 2nd anniversary of completing the final agreement, an additional US$2,000,000 of exploration expenditures.

Barsele Guld will retain a 2% net smelter returns royalty on the Barsele property, which the Company may purchase at any time for US$2,000,000 per percentage point, or a total of US$4,000,000.

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized:			
Unlimited number of common shares without par value			
Issued:			
Balance at April 30, 2009	13,024,294	$ 11,172,203	$ 1,516,443
Private placement	6,505,000	3,505,000	-
Finder's fees	487,875	262,875	-
Mineral properties	2,200,000	2,090,000	-
Warrants exercised	468,275	428,706	-
Options exercised	40,600	63,192	(42,892)
Stock-based compensation	-	-	933,480
Share issuance costs	-	(306,664)	-
Balance at April 30, 2010	22,726,044	17,215,312	2,407,031
Private placement	4,653,000	3,722,400	-
Finder's fees	159,425	127,540	-
Mineral properties	1,403,997	1,235,517	-
Warrants exercised	3,063,849	2,297,887	-
Options exercised	70,000	80,845	(43,345)
Stock-based compensation	-	-	46,931
Share issuance costs	-	(174,705)	-
Balance at April 30, 2011	32,076,315	$ 24,504,796	$ 2,410,617

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

Share Consolidation

On October 19, 2010, the Company consolidated its issued and outstanding common shares on a 5 old for 1 new basis. Trading of the consolidated shares commenced on October 20, 2010. All share, warrant, option and per share amounts in these financial statements have been retrospectively changed to reflect the share consolidation.

Private placements

On June 22, 2009, the Company issued 505,000 units at $1.00 per unit for gross proceeds of $505,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable 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 $1.50 per common share for a total of 252,500 shares. The full value of $505,000 was assigned to the common shares. In connection with the private placement, the Company issued 37,875 units valued at $37,875 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $12,174 on the private placement. The Company received share subscriptions of $485,000 toward this private placement during fiscal 2009.

On October 14, 2009, the Company issued 6,000,000 units at $0.50 per unit for gross proceeds of $3,000,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable 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 $0.75 per common share, for a total of 3,000,000 shares. The full value of $3,000,000 was assigned to the common shares. In connection with the private placement, the Company issued 450,000 units valued at $225,000 as a commission with terms similar to those issued under the private placement. The Company incurred cash share issuance costs of $31,615 on the private placement.

On March 4, 2011, the Company issued 4,653,000 units at $0.80 per unit for gross proceeds of $3,722,400 under a non-brokered private placement. Each unit consisted of one common share and one half of one non-transferable 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 $1.00 per common share, for a total of 2,326,500 shares. The full value of $3,722,400 was assigned to the common shares. In connection with the private placement, as a commission, the Company issued 159,425 units valued at $127,540 with terms similar to those issued under the private placement and paid $14,000 in cash. The Company incurred other cash share issuance costs of $33,165 on the private placement.

Stock options and warrants

The Company has a plan to grant stock options to directors, officers, employees and consultants of the Company. Under the plan, the board of directors has the discretion to issue the equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. Stock options are generally for a term of up to five years from the date granted and are exercisable at a price that is not less than the market price on the date granted. Vesting terms are determined at the discretion of the board of directors. Options issued to consultants providing investor relations services must vest in stages over a minimum of 12 months with no more than one-quarter of the options vesting in any three-month period.

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

Stock options and warrants (cont'd…)

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants			Stock Options		
	Number of Shares		Weighted Average Exercise Price	Number of Shares		Weighted Average Exercise Price
Outstanding, April 30, 2009	4,243,750	$	0.80	907,400	$	1.11
Granted	3,496,437		0.81	1,210,000		0.99
Exercised	(468,275)		0.92	(40,600)		0.50
Expired	(493,750)		1.00	(10,000)		2.00
Outstanding, April 30, 2010	6,778,162		0.78	2,066,800		0.81
Granted	2,406,212		1.00	70,000		0.90
Exercised	(3,063,849)		0.75	(70,000)		0.54
Expired	(363,126)		0.75	-		-
Forfeited	-		-	(50,000)		0.50
Outstanding, April 30, 2011	5,757,399	$	0.89	2,016,800	$	0.84
Number exercisable at April 30, 2011	5,757,399	$	0.89	1,999,300	$	0.83

The following options and warrants to acquire common shares of the Company were outstanding at April 30, 2011:

	Number of Shares		Exercise Price	Expiry Date
Options				
	119,800	$	0.50	June 7, 2014(1)
	176,000		0.50	September 11, 2011(1)
	30,000		2.15	September 11, 2011
	40,000		0.50	November 6, 2011
	5,000		0.50	May 9, 2012
	266,000		0.50	September 27, 2012(1)
	10,000		1.35	September 27, 2012
	40,000		0.50	June 17, 2013(1)
	50,000		0.50	December 19, 2013
	60,000		0.75	July 17, 2011
	1,110,000		1.00	April 28, 2015
	20,000		1.00	June 15, 2011(3)
	20,000		1.00	December 1, 2011
	70,000		0.90	June 9, 2015
Warrants				
	271,437		1.50	June 22, 2011(2)
	3,079,750		0.75	October 14, 2011
	2,406,212		1.00	March 4, 2013

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

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

(1) During fiscal 2010, a total of 394,000 options were repriced to $0.50 per option upon receiving disinterested shareholder approval at its annual general meeting on September 29, 2009, resulting in additional stock-based compensation of $52,125.

(2) Subsequent to April 30, 2011, a total of 271,437 warrants expired unexercised.

(3) Subsequent to April 30, 2011, a total of 20,000 options were forfeited.

Stock-based compensation

During the year ended April 30, 2011, the Company granted 70,000 (2010 – 1,210,000) stock options to directors, officers or consultants of the Company. The weighted average fair values of options granted are calculated using the Black-Scholes option pricing model. During the year ended April 30, 2011, the weighted average fair value of each option granted was $0.68 (2010 – $0.73) and was calculated using the following weighted average assumptions:

	2011	2010
Expected option lives	5.0 years	4.9 years
Risk-free interest rate	2.5%	2.7%
Expected dividend yield	0%	0%
Expected stock price volatility	100%	101%

The stock-based compensation expense for stock options, granted and repriced in the current and prior year, that vested in the year ending April 30, 2011 was $46,931 (2010 - $933,480).

6. CAPITAL MANAGEMENT

The Company defines its capital as cash, deferred consideration obligations and all components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns on unused capital. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements.

The Company raises capital to fund its corporate and exploration costs and other obligations through the sale of its common shares or units consisting of common shares and warrants in order to operate its business and safeguard its ability to continue as a going concern. Although the Company has been successful at raising funds in the past through issuance of capital stock, it is uncertain whether it will continue this financing due to uncertain economic conditions. There have been no changes to the Company's approach to capital management during the year.

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2011	2010
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

Significant non-cash transactions during fiscal 2011 included:

a) Issuing 1,403,997 common shares valued at $1,235,517 pursuant to the acquisition of subsidiaries (Note 3).

b) Accruing $4,428,940 in deferred consideration liabilities pursuant to the acquisition of subsidiaries (Note 3).

c) Issuing 159,425 units at a value of $127,540 as finder's fees for private placements (Note 5).

Significant non-cash transactions during fiscal 2010 included:

a) Issuing 2,200,000 common shares valued at $2,090,000 pursuant to the acquisition of mineral properties (Note 4).

b) Issuing 487,875 units at a value of $262,875 as finder's fees for private placements (Note 5).

8. COMMITMENTS

On April 29, 2011, the Company completed the final agreement with Barsele Guld to purchase all of the issued and outstanding shares of Gunnarn Mining and its wholly-owned subsidiary, Gunnarn Exploration (Note 3). The Company agreed to make deferred consideration payments to Barsele Guld, in cash and issuances of common shares of the Company over the next four years, with a total value of US$5,500,000. The Company also agreed to make direct exploration expenditures of US$3,000,000 on the Barsele property, over the next two years.

Fiscal Year	Deferred Consideration Payments	Exploration Expenditures
2012	US $1,500,000	US$1,000,000
2013	2,000,000	2,000,000
2014	1,000,000	-
2015	1,000,000	-

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2011	2010
Loss before income taxes	$ (3,187,794)	$ (5,190,041)
Income tax (recovery) at statutory rates	$ 907,212	$ 1,522,905
Stock based compensation	(13,062)	(275,377)
Mineral property expenses	(507,670)	(406,120)
Loss on disposal of mineral property	(9,797)	(587,584)
Other items	58,646	62,222
Unrecognized benefit of net operating losses	(435,329)	(316,046)
	$ -	$ -

Significant components of the Company's future income tax assets are as follows:

	2011	2010
Future income tax assets		
Non-capital loss carryforwards	$ 2,060,000	$ 1,349,000
Share issuance costs	99,000	114,000
Equipment	1,000	1,000
Mineral properties	1,392,000	1,392,000
	3,552,000	2,856,000
Less valuation allowance	(3,552,000)	(2,856,000)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $8,060,000 in Canada, Mexico and Sweden. These losses, if not utilized, will expire up to 2031. Future tax benefits which may arise as a result of non-capital losses and share issuance costs have not been recognized in these financial statements and have been offset by a valuation allowance.

10. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2011, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $173,250 (2010 - $167,500) to companies controlled by officers of the Company.

b) Paid or accrued rent of $72,000 (2010 - $76,650) to a company with common directors.

c) Paid or accrued fees of $68,000 (2010 - $60,000) to companies controlled by directors. These amounts were included in exploration expenditures.

Included in accounts payable and accrued liabilities as at April 30, 2011 is $10,136 (2010 – $Nil) due to companies controlled by directors.

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.

11. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Company has various financial instruments including cash, receivables, accounts payable and accrued liabilities and deferred consideration. Cash is carried at fair value using a level 1 fair value measurement. The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of deferred consideration approximates its fair value using a level 3 fair value measurement due to the brevity of time between the measurement date and reporting date.

Concentrations of business risk

The Company maintains a majority of its cash with a major Canadian financial institution and 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. The Company does not engage in any hedging activity.

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 value added tax (VAT), input value-added tax (IVA) and harmonized sales tax (HST), which are recoverable from the governing body in Sweden, Mexico and Canada, respectively. As the Company's exploration operations are conducted in Sweden and Mexico, the Company's operations are also subject to the economic risks associated with those countries.

11. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 6).

Accounts payable and accrued liabilities are due within the current operating period. Deferred consideration is due in instalments over the next four years (Note 8).

Foreign exchange risk

A portion of the Company's operational transactions are originally or effectively denominated in US dollars. As well, because the Company's operations are in Mexico and Sweden, some costs are denominated in Mexican pesos and Swedish Kronor. Accordingly, the results of the Company's operations and comprehensive loss as stated in Canadian dollars will be impacted by exchange rate fluctuations. The Company does not hedge its exposures to movements in the exchange rates at this time.

The Company's exposure to foreign currency risk is on its cash, receivables and accounts payable and accrued liabilities. At April 30, 2011, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a $5,000 effect on loss and comprehensive loss and a $520,000 effect on liabilities for deferred consideration; a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Mexican Peso would have a $7,000 effect; a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Swedish Krona would have a $13,000 effect.

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. Based on bank deposit balances at April 30, 2011, a hypothetical change of 1% in the interest rate would have a $25,000 effect on net loss and comprehensive loss.

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.

12. SEGMENTED INFORMATION

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

		2011		2010
Mineral properties				
Mexico	$	2,090,000	$	2,090,000
Sweden	$	7,611,607	$	-

13. SUBSEQUENT EVENTS

Subsequent to April 30, 2011, the Company:

a) Announced that it had engaged Sigorex Management GmbH ("Sigorex") to provide investor relations services. Sigorex will be paid an initial fee of 20,000 EUR, which includes the first month of services, and 5,000 EUR per month after the first month, for a period of one year. The agreement is renewable upon mutual agreement of the two parties.

b) Issued 20,000 common shares for gross proceeds of $15,000 pursuant to the exercise of warrants.

c) Issued 75,000 common shares for gross proceeds of $52,500 pursuant to the exercise of stock options.