

OREX MINERALS INC.

(An Exploration Stage Company)

ANNUAL REPORT TO SHAREHOLDERS

For the Year Ended April 30, 2012

(Expressed in Canadian Dollars)

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED APRIL 30, 2012

Dated: August 27, 2012

Management's Responsibility for Financial Reporting:

The accompanying annual financial report for the year ended April 30, 2012 has been prepared by management using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Other information contained in this document has also been prepared by management and is consistent with the data contained in the annual financial report.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that the annual financial report and annual MD&A (together the "annual filings") do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these annual filings, and the annual financial report together with the other financial information included in these annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented in these annual filings.

The Board of Directors approves the annual financial report together with the other financial information included in the annual filings 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 annual filings 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.

In particular, forward looking comments regarding the Company's plans and operations included in the "Description of Business" with respect to management's planned exploration and other activities, and in "Liquidity", "Commitments" and "Corporate Summary" regarding management's estimated ability to fund its projected costs of exploration work and general corporate costs of operations, and its ability to raise additional funding through placement of the Company's common shares are plans and estimates of management only, and actual results and outcomes could be materially different.

Description of Business:

The Company is engaged primarily in the acquisition and exploration of exploration and evaluation mineral properties.

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.

Las Mesas is a large grassroots exploration project located along an altered portion of a major regional fault structure, with associated geophysical and geochemical anomalies. It is interpreted to contain the surface expressions of buried mineralized intrusive centres. Pathfinder elements match the "tops" halo pattern for gold-silver mineralization. This mineral concession of 24,732 hectares is located on the Mesa Central, a high plateau region on the eastern flanks of the Sierra Madre Occidental mountains, centred about 43 km south of the mining town of Santa Maria del Oro and about 45 km west-northwest of the Pitarrilla Ag-Au deposit of Silver Standard, in the "Mexican Silver Trend".

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Description of Business (continued):

LAS MESAS, MEXICO (continued):

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.

A program of geological mapping and geochemical sampling was conducted to evaluate five target areas. A Phase-I diamond drilling program, consisting of six holes for a total of approximately 2,000 metres, commenced in April 2011 and was completed in May 2011. Five of the six holes intercepted intervals over the projection of Las Mesas fault, which yielded argillic alteration, iron oxides, microbreccias and traces of black sulphides. Subsequently, the Company received the assays from 345 drill core samples 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.

Ben Whiting, P.Geol., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Las Mesas property.

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.

Located in the Mesa Central on the eastern flank of the Sierra Madre Occidental Mountains, Coneto is centrally positioned in the "Mexican Silver Trend". This silver trend, stretching from Guanajuato in the southeast, through the states of Zacatecas and Durango, hosts some of the world's largest silver deposits, including Real de Angeles, Zacatecas, Fresnillo, La Preciosa, and La Pitarilla mining camps.

The Coneto mining camp has a history going back over 400 years. More than 40 epithermal silver-gold quartz veins have been documented in a window of exposed Tertiary Lower Volcanic andesites. Past underground production was achieved on three of the veins down to the watertable. Very little diamond drilling has been carried out within the property in spite of its long history of episodic production.

The Coneto mining camp historically consisted of approximately 3,300 hectares of claims. During 2010, the Company announced its successful applications to locate new mineral concessions called Lomas 3 and Lomas 4, which surround the historical claims. With the addition of these new mineral concessions, the total area of the Coneto property increased to 16,346 hectares.

The initial work program on this property consisted of detailed structural geology mapping and geochemical sampling in the areas around Calaveras, Colemanito, Promontorio, Loma Verde, Durazno and Impulsora. This program was designed to guide a diamond drilling program. As of December 2009, regional geology mapping at 1:10,000 scale covered 35 sq km and detailed structural geology mapping at 1:500 scale covered 15 sq km. Forty-nine line-kilometres of geochemical sampling, both for soil and rock channel/chip/grab, total 1,794 samples. The Loma Verde, Promontorio and Impulsora sectors yielded multiple anomalous values for gold and silver.

The Phase-I drilling campaign of approximately 5,000 metres of HQ and NQ diameter core commenced in May 2010 and was performed by Major Drilling de Mexico, S.A. de C.V. utilizing a surface UDR-200 rig. A total of 21 holes were completed in the Loma Verde, Durazno, Promontorio, Impulsora, Estrella-Calaveras and Sauce-Palma areas. Over 2,000 drill core samples were submitted for analyses to SGS Mineral Services in Durango, Mexico. The assay results of the drilling campaign were announced by news releases on July 6, 2010, August 9, 2010 and November 1, 2010. Nine holes yielded high values for gold and silver, especially in the Loma Verde and Impulsora areas.

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Description of Business (continued):

CONETO, MEXICO (continued):

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. A definitive Association Agreement was signed on February 2, 2012. The principal terms of the Association Agreement are:

- (a) Fresnillo will spend a minimum of US\$2,000,000 on exploration during the first year after the necessary exploration permits are obtained. A minimum of 70% of this exploration must be conducted on the Company’s 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. A minimum of 70% of this exploration must also be conducted on the Company’s concessions.
- (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 Orex.
- (d) Fresnillo will have the right to increase its ownership of NewCo to 70% by either completing a prefeasibility study or spending up to an additional US\$21,000,000 in the process of preparing a prefeasibility study.
- (e) If Fresnillo chooses to not exercise the right to increase its ownership of NewCo to 70%, the costs incurred to complete a prefeasibility study will be shared by Fresnillo and the Company in proportion to their ownership of NewCo; 55% by Fresnillo and 45% by the Company.
- (f) Any additional funding required by NewCo will be provided by the Company and Fresnillo in proportion to their respective ownership interests in NewCo at that time.
- (g) Fresnillo will have a right of first refusal to acquire the Company’s ownership interest in NewCo if the Company receives an offer for its interest in NewCo that it proposes to accept.
- (h) During the life of the Association Agreement, in the event that the Company, or any of its subsidiaries, 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.

In conjunction with entering the Association Agreement with Fresnillo, on February 8, 2012, the Company issued 2,500,000 units to Fresnillo at \$0.80 per unit for gross proceeds of \$2,000,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one 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.

A Phase-II diamond drilling program of approximately 12,000 metres commenced in late August 2012 and assay results were not available at the time of this report. The contracted drilling company, Kluane Drilling Ltd., utilizes modularized mobile drilling equipment that minimizes the need to construct roads on the property. It is estimated that the total cost for the Phase II drilling program, including pre-drilling geological and geophysical mapping, will be \$2.5 million over a period of 12 months, an amount which will be entirely funded by Fresnillo per the terms of the Association Agreement.

Ben Whiting, P.Geol., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Coneto property.

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Description of Business (continued):

BARSELE, SWEDEN:

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.

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 on the acquisition date, after applying a 7.5% discount rate, of \$4,428,940 (US\$5,500,000, undiscounted):

- (a) 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 (on April 29, 2012, the Company paid \$996,200 (US\$1,000,000) and issued 852,764 common shares valued at \$492,400 to Barsele Guld);
- (b) On the 2nd anniversary of completing the final agreement, US\$2,000,000 in cash;
- (c) 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;
- (d) 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.

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 (the Company fulfilled this requirement during fiscal 2012);
- (b) Before the 2nd anniversary of completing the final agreement, an additional US\$2,000,000 of exploration expenditures (by April 30, 2012, the Company had incurred US\$1,475,093 of exploration expenditures towards meeting this commitment).

Barsele Guld will retain a 2 per cent net smelter 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.

The Barsele property is located 40 km southeast of the town of Storuman in Västerbottens Län, a regional district of northern Sweden approximately 600 km due north of Stockholm. Exploration in the project area has been ongoing for more than 25 years. Since 1985, a total of 398 diamond drill holes (43,609 metres) have been drilled and in 2006, Northland completed a National Instrument 43-101 technical report which contained resource estimates of both indicated and inferred resources and was filed on SEDAR by Northland on April 13, 2006.

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Description of Business (continued):

BARSELE, SWEDEN (continued):

The Central-Avan-Skiråsen (CAS) Zone at Barsele contains most of the documented gold in the 2006 resource report with a grade similar to other gold deposits in the area. In the CAS Zone, gold mineralization is predominantly within a granodiorite that has been deformed, sheared and intruded by late stage quartz veins and ranges in width from 200 to 500 metres, with a strike-extent in excess of eight kilometres. The Central and Skiråsen Zones have a combined strike length of 1,350 metres and a width of 250 metres. The Avan Zone has a strike length of 1,400 metres and a width varying from 200 to 500 metres. Base metal content of this deposit is typically low.

The Norra Zone, a small massive sulphide deposit, contains the balance of the gold reported in the 2006 resource report although the overall grade for this deposit is higher than at the CAS Zone. In the Norra Zone, sulphide mineralization is exposed in two open trenches in the centre of the drilled zone. Based on drilling, the footprint of the main mineralized body at Norra is 300 metres in strike-length and 50 metres in width.

On February 28, 2011, the Company reported that an independently verified mineral resource estimate had been completed on the Barsele property. The study concluded that drilling to date on the Central-Avan-Skiråsen Zones, at a 0.6g/t cut-off, outlined an Indicated Resource of 9.97 million tonnes grading 1.19 g/t gold or 382,000 contained ounces of gold. In addition, the study estimated additional Inferred Resources of 21.04 million tonnes grading 0.96 g/t gold or 648,000 contained ounces of gold.

A new estimate was also prepared for the Norra volcanogenic massive sulphide deposit, at a 0.6g/t Au cut-off that outlined an Indicated Resource of 110,000 tonnes grading 3.13 g/t gold, 30.27 g/t silver, 0.53% copper and 0.72% zinc. The study also estimated additional Inferred Resources of 310,000 tonnes grading 1.62 g/t gold, 12.69 g/t silver, 0.26% copper and 0.42% zinc. On April 27, 2011, the Company filed an updated National Instrument 43-101 compliant technical report on SEDAR.

In May 2011, the Company initiated a 2,500 line-kilometre airborne geophysical survey of the Barsele property, performed by SkyTEM Surveys ApS ("SkyTEM") of Denmark. SkyTEM used a helicopter-borne Time-Domain Electromagnetic (TDEM) System which had a transmitter moment of 500,000 NIA to maximize the depth of penetration. The airborne survey yielded high resolution maps of the apparent resistivity/conductivity, total magnetic field, and vertical magnetic derivatives. Following interpretation of the airborne results, in July 2011, the Company reported that there were a significant number of new anomalous targets outside of the known mineralized zones.

In August 2011, the Company engaged Finland-based Suomen Malmi Oy ("SMOY") and LeBel Geophysics to conduct ground follow-up surveys. The majority of the new anomalous targets lie outside of the known mineralized zones. Initially 12 gold targets and 25 VMS targets were outlined as warranting follow-up by way of geological examination, and ground magnetic and induced polarization (IP) and electromagnetic (EM) surveying.

SMOY carried out IP surveying, toward detection of the disseminated-style of mineralization associated with the Central, Avan and Skiråsen Zones at Barsele, wherein, gold mineralization is associated with non-magnetic dioritic intrusive rocks, indicated by magnetic lows. A total of 30 line kilometres was completed in four areas.

In addition, 9 VMS targets were surveyed by LeBel Geophysics, utilizing a very low frequency (VLF) EM method, which has proved efficient and successful in characterizing the airborne EM VMS targets. A total of 30 line kilometres was completed. Preliminary analysis of the VLF-EM surveying suggests an extension of the Norra base/precious metal deposit and shows other VMS targets with favourable geophysical signatures with respect to VMS-style mineralization. Examination of government archives revealed a historic high-grade float boulder discovered within the property grading 33 g/t gold and 7% zinc, which is believed to be associated with one of the anomalies located up-ice within the claims.

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Description of Business (continued):

BARSELE, SWEDEN (continued):

After completing the initial phase of ground geophysics, in November 2011, the Company commenced diamond drilling to test both the strike extensions and depth potential of the deposits outlined to date. Protek Norr AB of Skellefteå, Sweden, was retained to conduct a 6,200 metre diamond drill program. In this first phase of drilling, 16 holes were completed; 12 in the Central Zone and 4 in the Avan Zone. The assay results from the Central Zone expanded the boundaries of the known mineralization, both laterally and vertically.

At the time of this report, the Company was in the process of raising funds for additional drilling in the CAS Zone. At least three other target areas of known gold and/or base metal mineralization have been reported from the various generations of regional exploration outside the CAS Zone and Norra Zone. Further exploration is also warranted in these zones.

Ben Whiting, P.Geol., is the Qualified Person, as defined in National Instrument 43-101, and takes responsibility for the technical disclosure in this report with regards to the Barsele property.

Results of Operations for the Three Months Ended April 30, 2012:

During the fourth quarter of fiscal 2012, the Company incurred exploration expenses amounting to \$747,914, which was 71 per cent higher than the \$437,636 incurred in the fourth quarter of fiscal 2011. The fourth quarter expenses consisted of drilling costs of \$394,164, geological costs of \$142,690, assay costs of \$146,716 and other general exploration costs of \$64,343. The fourth quarter exploration expenditures were primarily incurred on the Barsele property whereas the costs in the same quarter of 2011 were incurred on the Las Mesas, Coneto and Barsele properties.

General operating costs totalled \$1,610,734 for the fourth quarter of fiscal 2012, which is 259 per cent higher than the \$449,038 incurred in the fourth quarter of fiscal 2011. Investor relations costs of \$197,661, incurred to raise investor awareness of the Company's Barsele property, were up significantly from the \$64,893 incurred in the fourth quarter of 2011. Share-based payments expense was higher in the fourth quarter of this year as the Company recorded a \$1,146,421 charge to reflect the imputed non-cash cost of stock options to directors, officers and consultants that vested in the period, compared to a charge of \$4,574 recorded in the fourth quarter of last year. Other costs were relatively consistent with those incurred in the same period of last year.

During the fourth quarter of 2012, the Company recorded interest expense of \$86,776 to reflect amortization of the discount on deferred consideration and a foreign exchange gain on deferred consideration of \$64,592 to reflect the impact of changes in the foreign exchange rate between the Canadian dollar and US dollar. The deferred consideration represents future payments, scheduled to be made over the next 3 years, related to the Company's purchase of Gunnarn Mining and the Barsele property in the fourth quarter of fiscal 2011.

The loss in the fourth quarter of fiscal 2012 amounted to \$2,388,971 or \$0.06 per share, which is 169 per cent higher than the loss in the fourth quarter of last year, of \$889,372 or \$0.03 per share. The increase can be attributed primarily to the interest expense on deferred consideration, higher share-based payments expense and higher exploration expenses.

Results of Operations for the Year Ended April 30, 2012:

During fiscal 2012, the Company incurred exploration expenses amounting to \$2,889,335 which is 66 per cent higher than the \$1,743,043 incurred in fiscal 2011. The current year expenses consisted of drilling costs of \$888,688, geological costs of \$1,206,702, assay costs of \$194,155 and other general exploration costs of \$599,790. The current year exploration expenditures were incurred primarily on the Barsele property whereas a majority of the costs in fiscal 2011 were incurred on the Coneto property.

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Results of Operations for the Year Ended April 30, 2012 and 2011 (continued):

General operating costs totalled \$2,667,437 for fiscal 2012, which is 90 per cent higher than the \$1,400,346 incurred in fiscal 2011. Investor relations costs of \$626,970, incurred to raise investor awareness of the Company's Barsele property, were up significantly from the \$273,236 incurred in fiscal 2011. Share-based payments expense was also higher this year as the Company recorded a \$1,147,720 charge to reflect the imputed non-cash cost of stock options to directors, officers and consultants that vested in the year, compared to a charge of \$46,931 recorded last year. Offsetting these increases, professional fees were lower this year. The Company incurred substantial legal fees last year for preparation of the definitive purchase agreement to acquire Gunnarn Mining and the Barsele property, resulting in professional fees of \$428,239 compared to professional fees of \$327,901 this year, primarily attributable to legal fees for preparation of the definitive Association Agreement with Fresnillo PLC and ongoing legal and accounting costs for the operations in Sweden. Other costs this year were consistent with those incurred last year.

During fiscal 2012, the Company recorded interest expense of \$346,791 to reflect amortization of the discount on deferred consideration and a foreign exchange loss on deferred consideration of \$200,905 to reflect the impact of changes in the foreign exchange rate between the Canadian dollar and US dollar.

The loss in fiscal 2012 amounted to \$6,157,152 or \$0.18 per share, which is 93 per cent higher than the loss last year of \$3,187,794 or \$0.13 per share. The increase can be attributed primarily to the interest expense and foreign exchange loss on deferred consideration, higher share-based payments expense and higher exploration expenses.

Property Acquisition Costs:

	Coneto, Mexico	Las Mesas, Mexico	Barsele, Sweden	Total
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 and April 30, 2012	\$ 2,090,000	\$ -	\$ 7,611,607	\$ 9,701,607

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.

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 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. 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.

The Company completed the final agreement on April 29, 2011 to purchase all of the issued and outstanding shares of two Swedish companies, Gunnarn Mining A.B. and its wholly-owned subsidiary, Gunnarn Exploration A.B. The primary assets of Gunnarn Mining are mining claims collectively known as the Barsele property. 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 deferred consideration payments to Barsele Guld, in cash and issuances of common shares of the Company, with a total value on the acquisition date, after applying a 7.5% discount rate, of \$4,428,940 (US\$5,500,000, undiscounted). Of the total purchase price of Gunnarn Mining, the Company allocated \$7,611,607 to the Barsele mining concessions held by Gunnarn Mining.

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Property Exploration Expenditures for the Years Ended April 30, 2012 and 2011:

Total Expenditures for the Year Ended April 30, 2012	Las Mesas, Mexico	Coneto, Mexico	Barsele, Sweden	Other Properties	Total
	\$	\$	\$	\$	\$
Drilling	97,607	-	791,081	-	888,688
Geological	47,519	186,353	917,539	55,291	1,206,702
Assay	9,965	341	173,018	10,831	194,155
General exploration	45,989	157,824	373,477	22,500	599,790
	201,080	344,518	2,255,115	88,622	2,889,335

Total Expenditures for the Year Ended April 30, 2011	Las Mesas, Mexico	Coneto, Mexico	Barsele, Sweden	Other Properties	Total
	\$	\$	\$	\$	\$
Drilling	135,193	474,188	-	-	609,381
Geological	148,269	266,465	140,682	16,509	571,925
Assay	12,686	71,508	-	433	84,627
General exploration	156,271	217,486	88,948	14,405	477,110
	452,419	1,029,647	135,706	31,347	1,743,043

Selected Annual Financial Information:

	For the Year Ended April 30, 2012	For the Year Ended April 30, 2011	For the Year Ended April 30, 2010
Total revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:			
(i) total for the year	\$ 6,157,152	\$ 3,187,794	\$ 5,190,041
(ii) per share	0.18	0.13	0.30
(iii) per share fully diluted	0.18	0.13	0.30
Net loss:			
(i) total for the year	\$ 6,157,152	\$ 3,187,794	\$ 5,190,041
(ii) per share	0.18	0.13	0.30
(iii) per share fully diluted	0.18	0.13	0.30
Total assets	\$ 11,253,198	\$ 12,520,571	\$ 3,721,185
Total long-term financial liabilities	\$ 1,650,083	\$ 3,108,382	Nil
Cash dividends declared per-share	Nil	Nil	Nil

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Selected Annual Financial Information (continued):

In fiscal 2012, exploration expenses were \$2,889,335, primarily incurred on the Barsele property. General operating costs of \$2,667,437 included share-based payments expense of \$1,147,720 for the imputed non-cash cost of stock options granted to directors, officers and consultants of the Company. Other costs for fiscal 2012 included interest expense on deferred consideration of \$346,791 and foreign exchange loss on deferred consideration of \$200,905.

In fiscal 2011, exploration, primarily on the Coneto and Las Mesas properties, was \$1,743,043. General operating costs of \$1,400,346 included costs related to the preparation and filing of the definitive agreement to acquire Gunnarn Mining and Gunnarn Exploration.

In fiscal 2010, the loss for the year increased significantly due to a write-off of the Santa Cruz property in the amount of \$1,991,810. Exploration, primarily on the Santa Cruz and Coneto properties, cost a combined \$1,489,819. General operating costs were up significantly from prior years at \$1,818,273 due to the inclusion of a \$933,480 charge for stock-based compensation.

Selected Quarterly Financial Information:

	4th Quarter Ended April 30, 2012	3rd Quarter Ended January 31, 2012	2nd Quarter Ended October 31, 2011	1st Quarter Ended July 31, 2011
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss for period	\$ 2,388,971	\$ 1,276,872	\$ 1,267,295	\$ 1,224,014
(c) Loss per share	\$ 0.06	\$ 0.04	\$ 0.04	\$ 0.04
	4th Quarter Ended April 30, 2011	3rd Quarter Ended January 31, 2011	2nd Quarter Ended October 31, 2010	1st Quarter Ended July 31, 2010
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss for period	\$ 924,573	\$ 689,792	\$ 470,460	\$ 1,102,969
(c) Loss per share	\$ 0.03	\$ 0.03	\$ 0.02	\$ 0.05
	4th Quarter Ended April 30, 2010	3rd Quarter Ended January 31, 2010	2nd Quarter Ended October 31, 2009	1st Quarter Ended July 31, 2009
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss for period	\$ 3,235,118	\$ 456,826	\$ 536,180	\$ 961,917
(c) Loss per share	\$ 0.16	\$ 0.02	\$ 0.04	\$ 0.07

The Company adopted International Financial Reporting Standards ("IFRS") effective May 1, 2011 with a transition date of May 1, 2010. Financial information provided for quarters ended on or before April 30, 2010 was prepared in accordance with Canadian GAAP and the Company's accounting policies thereunder. Financial information provided for quarters ended on or subsequent to July 31, 2010 was prepared in accordance with IFRS. For further details, please refer to Note 2 and Note 14 of the accompanying annual financial report for the year ended April 30, 2012.

Exploration costs in the first, second, third and fourth quarter of 2012 were \$800,962, \$547,148, \$793,311 and \$747,914 respectively. During the first quarter of fiscal 2012, the Company initiated a geophysics program on the Barsele property and completed its drill program on Las Mesas. During the second quarter, the Company completed its initial geophysics program on the Barsele property in preparation for a drill program. During the third quarter, the Company initiated the drill program on the Barsele property which continued through the fourth quarter. General operating costs in the first, second, third and fourth quarter amounted to \$279,492, \$424,695, \$352,516 and \$1,610,734 respectively, including share-based payments expense of \$1,146,421 in the fourth quarter. During the first, second, third and fourth quarter of 2012, the Company recorded interest expense, of \$82,538, \$87,094, \$90,383 and \$86,776 respectively, to reflect amortization of the discount on deferred consideration and foreign exchange gain (loss) on deferred consideration of \$(41,629), \$(195,881), \$(27,987) and \$64,592 respectively, to reflect the impact of changes in the foreign exchange rate between the Canadian dollar and US dollar.

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Selected Quarterly Financial Information (continued):

Exploration costs were \$819,922, \$156,321, \$329,165 and \$437,635 respectively in the first, second, third and fourth quarter of 2011. During the first quarter, the Company completed a drill program on the Coneto property and during the fourth quarter, the Company commenced a drill program on the Las Mesas property. The Company conducted due diligence on the Barsele property during the third and fourth quarter of fiscal 2011. General operating costs were consecutively higher each quarter of fiscal 2011 as the Company incurred substantial costs in the second half of the year for professional fees related to preparing the final agreement to acquire Gunnarn Mining and its Barsele property. The general operating costs amounted to \$278,059, \$317,515, \$355,733 and \$449,039 respectively in the first, second, third and fourth quarter.

The loss in the first quarter of fiscal 2010 was primarily due to exploration costs, which amounted to \$798,083, as the Company completed its drill program on the Santa Cruz property. Exploration expenditures for the second, third and fourth quarter of fiscal 2010, of \$192,807, \$233,522 and \$265,407 respectively, were lower than previous quarters as the Company conducted very little work on Santa Cruz and focused on an initial work program on the Coneto property. General operating costs for the first, second third and fourth quarter were \$188,072, \$342,527, \$229,492 and \$1,058,182 respectively. The costs for the second and fourth quarter of fiscal 2010 included a charge of \$96,231 and \$832,864 respectively, for stock-based compensation. The fourth quarter of 2010 also included a write-off of the Santa Cruz property in the amount of \$1,991,810.

Outstanding Share Data:

(a) Share capital and reserves

	Number of Shares	Share Capital	Reserves
Authorized:			
Unlimited number of common shares without par value			
Issued:			
Balance at May 1, 2010	22,726,044	\$ 17,215,312	\$ 2,407,031
Private placement	4,653,000	3,722,400	-
Finders' fees	159,425	127,540	-
Shares issued for property	1,403,997	1,235,517	-
Warrants exercised	3,063,849	2,297,887	-
Options exercised	70,000	80,845	(43,345)
Share-based payments	-	-	46,931
Share issuance costs	-	(174,705)	-
Balance at April 30, 2011	32,076,315	24,504,796	2,410,617
Private placements	6,356,000	3,728,000	200,000
Finders' fees	205,100	102,550	-
Shares issued for property	852,764	492,400	-
Warrants exercised	20,000	15,000	-
Options exercised	291,000	566,073	(405,573)
Share-based payments	-	-	1,147,720
Share issuance costs	-	(170,371)	-
Balance at April 30, 2012	39,801,179	29,238,448	3,352,764
Options exercised	5,000	9,573	(7,073)
Share-based payments	-	-	22,486
Balance at August 27, 2012	39,806,179	\$ 29,248,021	\$ 3,368,177

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Outstanding Share Data (continued):

(a) Share capital and reserves (continued)

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 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. 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.

On November 9, 2011, the Company issued 3,856,000 units at \$0.50 per unit for gross proceeds of \$1,928,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one 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. The full value of \$1,928,000 was assigned to the common shares. In connection with the private placement, as a commission, the Company issued 205,100 units valued at \$102,550 with terms similar to those issued under the private placement and paid \$5,250 in cash. The Company incurred other cash share issuance costs of \$25,666 on the private placement.

On February 8, 2012, the Company issued 2,500,000 units at \$0.80 per unit for gross proceeds of \$2,000,000 under a non-brokered private placement. Each unit consisted of one common share and one half of one 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. A value of \$1,800,000 was assigned to the common shares and a value of \$200,000 was assigned to reserves. The Company incurred cash share issuance costs of \$36,905 on the private placement.

(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. 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.

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Outstanding Share Data (continued):

(b) Stock options and warrants (continued)

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

	<u>Warrants</u>		<u>Stock Options</u>	
	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, May 1, 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
Granted	3,280,550	0.85	2,239,000	0.74
Exercised	(20,000)	0.75	(291,000)	0.55
Expired	(3,331,187)	0.81	-	-
Forfeited	-	-	(70,000)	1.49
Outstanding, April 30, 2012	5,686,762	0.91	3,894,800	0.79
Granted	-	-	75,000	0.70
Exercised	-	-	(5,000)	0.50
Outstanding, August 27, 2012	5,686,762	\$ 0.91	3,964,800	\$ 0.91

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Outstanding Share Data (continued):

(b) Stock options and warrants (continued)

The following options and warrants to acquire common shares of the Company were outstanding at April 30, 2012 and August 27, 2012:

	Number of Shares April 30, 2012	Number of Shares August 27, 2012	Exercise Price \$	Expiry Date
Options				
	119,800	119,800	0.50	June 7, 2014
	5,000	-	0.50	May 9, 2012
	251,000	251,000	0.50	September 27, 2012
	10,000	10,000	1.35	September 27, 2012
	40,000	40,000	0.50	June 17, 2013
	50,000	50,000	0.50	December 19, 2013
	1,100,000	1,100,000	1.00	April 28, 2015
	10,000	10,000	1.00	January 10, 2013
	70,000	70,000	0.90	June 9, 2015
	2,164,000	2,164,000	0.74	February 17, 2017
	75,000	75,000	0.74	February 17, 2014
	-	75,000	0.70	May 1, 2014
Warrants				
	2,406,212	2,406,212	1.00	March 4, 2013
	2,030,550	2,030,550	0.75	November 9, 2013
	1,250,000	1,250,000	1.00	February 8, 2014

Liquidity:

The Company's cash position decreased from the opening level of \$2,455,973 at the beginning of the year to the year-end level of \$1,036,929.

The operating loss for the year of \$6,261,687, after adjustments for non-cash items and changes in other working capital balances, required total cash funding of \$4,458,523.

The net cash cost of the 1st anniversary deferred consideration payment related to the acquisition of Gunnarn Mining and Gunnarn Exploration was \$996,200.

Funding was received during the year from the exercise of stock options and warrants whereby the Company issued 311,000 common shares for cash proceeds of \$175,500. In addition, the Company closed two private placements during the year. On November 9, 2011, the Company issued 3,856,000 units at \$0.50 per unit, for gross proceeds of \$1,928,000, under the first non-brokered private placement. In connection with this private placement, as a commission, the Company paid \$5,250 in cash and incurred other cash share issuance costs of \$25,666. On February 8, 2012, the Company issued 2,500,000 units at \$0.80 per unit for gross proceeds of \$2,000,000 under the second non-brokered private placement. The Company incurred cash share issuance costs of \$36,905 related to the second non-brokered private placement.

To summarize, the funds on hand at the beginning of the period of \$2,455,973, supplemented by the net cash proceeds from financing activities aggregating \$4,035,679, were used to fund the cash requirements for operations in the period of \$4,458,523 and to make a cash payment of \$996,200 to the vendor of Gunnarn Mining and Gunnarn Exploration such that at April 30, 2012, the Company held \$1,036,929 in its accounts.

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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. The Company agreed to make deferred consideration payments to Barsele Guld, in cash and issuances of common shares of the Company over 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 two years. To fulfill its 1st anniversary obligations, on April 29, 2012, the Company paid \$996,200 (US\$1,000,000) and issued 852,764 common shares valued at \$492,400 to Barsele Guld and incurred direct exploration expenditures in excess of US\$1,000,000. As a result, at April 30, 2012 the Company had the following undiscounted commitments outstanding with regards to the acquisition of Gunnarn Mining. By April 30, 2012, the Company had incurred US\$1,475,093 of exploration expenditures which will be applied towards meeting its US\$2,000,000 exploration expenditure commitment for fiscal 2013.

Fiscal Year	Deferred Consideration Payments	Exploration Expenditures
2013	US \$2,000,000	US\$2,000,000
2014	1,000,000 ⁽¹⁾	-
2015	1,000,000 ⁽¹⁾	-

⁽¹⁾ Payable in 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

Corporate Summary:

During the third quarter of fiscal 2012, the Company issued 3,856,000 units at \$0.50 per unit, for gross proceeds of \$1,928,000, under a non-brokered private placement. Each unit consisted of one common share and one half of one 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. In connection with the private placement, as a commission, the Company issued 205,100 units valued at \$102,550 with terms similar to those issued under the private placement and paid \$5,250 in cash. The Company incurred other cash share issuance costs of \$26,906 on the private placement.

During the fourth quarter of fiscal 2012, the Company issued 2,500,000 units at \$0.80 per unit, for gross proceeds of \$2,000,000, under a non-brokered private placement. Each unit consisted of one common share and one half of one 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. The Company incurred cash share issuance costs of \$36,905 on the private placement.

Management anticipates additional funds will be required for deferred consideration cash payments and exploration expenditures required to be made in fiscal 2013 and that new funding will be raised by a private placement of common shares. For this purpose, on August 16, 2012, the Company announced it is undertaking a non-brokered private placement of units for gross proceeds of up to \$5,000,000. Each unit will consist of one common share and one half of one transferable share purchase warrant. Each whole share purchase warrant will entitle 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.

While there has been great volatility in the stock markets, which may raise questions about the Company's ability to raise new capital and thereby sustain or expand its operations, as mentioned above, the Company succeeded in raising in excess of \$3.9 million during fiscal 2012 based on the strength of its mineral property holdings. However, there is no certainty that the Company will continue to be successful in its efforts to raise new capital, which would cause the Company to reconsider its viability as a going concern at that time and how best to sustain a reduced level of operations, pending a return to better market conditions when a financing could be completed.

Capital Resources:

The Company had \$0.2 million in cash as of August 27, 2012. The Company will continue to seek capital, as needed, through public markets by issuing common shares pursuant to private placements.

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Related Party Transactions:

During the year ended April 30, 2012, the Company entered into the following transactions with related parties, directors and key management personnel. Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company and include certain directors and officers:

- (a) Paid or accrued management fees of \$84,000 (2011 - \$84,000) to a management company controlled by the CEO and director of the Company.
- (b) Paid or accrued management fees of \$53,800 (2011 - \$56,900) to a management company controlled by the CFO and director of the Company.
- (c) Paid or accrued management fees of \$24,600 (2011 - \$32,350) to the Corporate Secretary of the Company.
- (d) Paid or accrued rent of \$72,000 (2011 - \$72,000) to Orko Silver Corp., a company with common directors.
- (e) Paid or accrued fees of \$60,000 (2011 - \$60,000) to a management company controlled by a director of the Company. These amounts were included in exploration expenditures.
- (f) Paid or accrued fees of \$48,000 (2011 - \$8,000) to a management company controlled by a director of the Company. These amounts were included in exploration expenditures.
- (g) Recorded shared-based payments of \$742,774 (2011 - \$Nil) to directors and officers of the Company.

Included in accounts payable and accrued liabilities as at April 30, 2012 is \$Nil (2011 – \$10,136, 2010 – \$Nil) due to directors or officers or 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.

Off Balance Sheet Arrangements:

The Company has no material off balance sheet arrangements in place.

Investor Relations:

In June 2010, the Company retained the services of a firm to provide investor relations services to the Company. The agreement with General Research GmbH, based in Munich, Germany, is subject to termination with 30 days notice.

In May 2011, the Company retained the services of Sigorex Management GmbH ("Sigorex") to provide investor relations services to the Company. 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.

In May 2012, the Company retained the services of Jada Jennings ("Jennings") to provide investor relations services to the Company. Jennings will be paid a fee of \$7,875 per month for a period of one year. The agreement is renewable upon mutual agreement of the two parties.

Changes in Accounting Policies Including Initial Adoption:

The Company adopted International Financial Reporting Standards ("IFRS") effective May 1, 2011 with a transition date of May 1, 2010. While there were a number of changes to the Company's accounting policies, management determined that the adoption of IFRS did not impact the Company's statements of financial position as at May 1, 2010 and April 30, 2011, or the statement of operations and comprehensive loss, statement of changes in equity or statement of cash flows for the year ended April 30, 2011. For further details, please refer to Note 2 and Note 14 of the accompanying annual financial report for the year ended April 30, 2012.

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New Standards Not Yet Adopted:

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's financial statements.

(a) IFRS 7 Financial Instruments: Disclosures ("IFRS 7")

IFRS 7 was amended by the International Accounting Standards Board ("IASB") in October 2010 and the amendment enhances the disclosure requirements in relation to transferred financial assets.

The amendment to IFRS 7 is required to be applied for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company has not yet assessed the impact of the amendment or determined whether it will adopt the amendment early.

(b) IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2013. IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

(c) IFRS 10 Consolidated Financial Statements ("IFRS 10")

For annual periods beginning on January 1, 2013, IFRS 10 will replace portions of IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation - Special Purpose Entities. The new standard requires consolidated financial statements to include all controlled entities under a single control model. The Company will be considered to control an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the current ability to affect those returns through its power over the investee. As required by this standard, control is reassessed as facts and circumstances change. Additional guidance is given on how to evaluate whether certain relationships give the Company the current ability to affect its returns, including how to consider options and convertible instruments, holding less than a majority of voting rights, how to consider protective rights, and principal agency relationships (including removal rights), all which may differ from current practice.

IFRS 10 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(d) IFRS 11 Joint Arrangements ("IFRS 11")

IFRS 11 applies to accounting for interests in joint arrangements where there is joint control. The standard requires the joint arrangements to be classified as either joint operations or joint ventures. The structure of the joint arrangement would no longer be the most significant factor when classifying the joint arrangement as either a joint operation or a joint venture. In addition, the option to account for joint ventures (previously called jointly controlled entities) using proportionate consolidation will be removed and replaced by equity accounting.

IFRS 11 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

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New Standards Not Yet Adopted (continued):

(e) IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 includes disclosure requirements about subsidiaries, joint ventures, and associates, as well as unconsolidated structured entities and replaces existing disclosure requirements. Due to this new section, the Company will be required to disclose the following: judgments and assumptions made when deciding how to classify involvement with another entity, interests that non-controlling interests have in consolidated entities, and the nature of the risks associated with interests in other entities.

IFRS 12 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(f) IFRS 13 Fair Value Measurement ("IFRS 13")

IFRS 13 will converge the IFRS requirements for how to measure fair value and the related disclosures. IFRS 13 establishes a single source of guidance for fair value measurements, when fair value is required or permitted by IFRS. Upon adoption, the Company will provide a single framework for measuring fair value while requiring enhanced disclosures when fair value is applied. In addition, fair value will be defined as the 'exit price' and concepts of 'highest and best use' and 'valuation premise' would be relevant only for non-financial assets and liabilities.

IFRS 13 is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

(g) IAS 1 - Presentation of Financial Statements ("IAS 1")

IAS 1 was amended by the IASB in June 2011 and relates to the presentation of items in other comprehensive income. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged.

The amendments to IAS 1 are required to be applied for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company has not yet assessed the impact of the amendment or determined whether it will adopt the amendments early.

(h) IAS 12 – Income Taxes ("IAS 12")

IAS 12 was amended by the IASB in December 2010 and the amendment provides a solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes.

The amendment to IAS 12 is required to be applied for annual periods beginning on or after January 1, 2012, with earlier adoption permitted. The Company has not yet assessed the impact of the amendment or determined whether it will adopt the amendment early.

(i) IAS 28 – Investments in Associates and Joint Ventures ("IAS 28")

IAS 28 was amended by the IASB in September 2011 and the amendments prescribe the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). The amendments to IAS 28 are required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the amendments or determined whether it will adopt the amendments early.

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Financial and Capital Risk Management:

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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).

(a) 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. Deferred consideration is carried at amortized cost and approximates its fair value using a level 3 fair value measurement.

(b) 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 and a major Swedish 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.

(c) Credit risk

The Company is exposed to credit risk only with respect to uncertainties as to timing and amount of collectability of receivables. The Company believes its credit risk is low because its receivables are primarily comprised of 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.

(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.

Accounts payable and accrued liabilities are due within the current operating period. Deferred consideration is due in installments over three years.

(e) 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.

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Financial and Capital Risk Management (continued):

(e) Foreign exchange risk (continued)

The Company's exposure to foreign currency risk is on its cash, receivables and accounts payable and accrued liabilities. At April 30, 2012, a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and US dollar would have a \$350,000 effect on loss and comprehensive loss and 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 \$12,000 effect; a hypothetical change of 10% in the foreign exchange rate between the Canadian dollar and the Swedish Krona would have an \$14,000 effect.

(e) Interest rate risk

The Company has interest rate risk arising from its bank deposits. The Company does not engage in any hedging activity to reduce its exposure to interest rate risk. Based on bank deposit balances at April 30, 2012, a hypothetical change of 1% in the interest rate would have a \$1,000 effect on net loss and comprehensive loss in the upcoming year.

(f) Price risk

Mineral prices, in particular gold and silver, are volatile, and have fluctuated sharply in recent periods. The prices are subject to market supply and demand, political and economic factors, and commodity speculation, all of which can interact with one another to cause significant price movement from day to day and hour to hour. These price movements can affect the Company's ability to operate and to raise financing through the sale of its common shares.

(g) 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.

Events After the Reporting Date:

Between May 1, 2012 and August 27, 2012:

- (a) The Company granted incentive stock options to a consultant to purchase 75,000 common shares of the Company at \$0.70 per share. The options have a two year term and will vest quarterly over a period of 12 months from the date of grant.
- (b) The Company issued 5,000 common shares upon the exercise of stock options for gross proceeds of \$2,500.
- (c) Announced it is undertaking a non-brokered private placement of units for gross proceeds of up to \$5,000,000. Each unit will consist of one common share and one half of one transferable share purchase warrant. Each whole share purchase warrant will entitle 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.

OREX MINERALS INC.

(An Exploration Stage Company)

ANNUAL REPORT TO SHAREHOLDERS

For the Year Ended April 30, 2012

(Expressed in Canadian Dollars)

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.