

OREMEX RESOURCES INC.

FINANCIAL STATEMENTS

YEARS ENDED NOVEMBER 30, 2006 AND 2005



**DALE MATHESON
CARR-HILTON LABONTE LLP**

DMCL CHARTERED ACCOUNTANTS

Partnership of:

Vancouver	Robert J. Burkart, Inc. Alvin F. Dale Ltd. Robert J. Matheson, Inc.	James F. Carr-Hilton Ltd. Barry S. Hartley, Inc. Rakesh I. Patel Inc.	Kenneth P. Chong Inc. Reginald J. LaBonte Ltd.
South Surrey	Michael K. Braun Inc.	Peter J. Donaldson, Inc.	
Port Coquitlam	Wilfred A. Jacobson Inc.	Fraser G. Ross, Ltd.	Brian A. Shaw Inc.

AUDITORS' REPORT

To the Shareholders of
OREMEX RESOURCES INC.

We have audited the balance sheets of Oremex Resources Inc. as at November 30, 2006 and 2005 and the statements of operations and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2006 and 2005 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Signed: **"DMCL"**

Vancouver, B.C.
January 11, 2007

**DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS**

OREMEX RESOURCES INC.

BALANCE SHEETS

As at November 30, 2006 and 2005

	2006	2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,971,675	\$ 1,103,925
Amounts receivable	9,669	9,746
Prepaid expenses	55,022	16,272
	6,036,366	1,129,943
Equipment (Note 3)	46,005	35,906
Mineral Property Interests (Note 4 and Schedule)	8,399,115	6,672,677
	\$ 14,481,486	\$ 7,838,526

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 53,370	\$ 83,837
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SHAREHOLDERS' EQUITY

Share Capital (Note 5)	16,314,805	9,430,048
Contributed Surplus (Note 6)	2,212,672	1,833,086
Deficit	(4,099,361)	(3,508,445)
	14,428,116	7,754,689
	\$ 14,481,486	\$ 7,838,526

COMMITMENTS (Note 9)

RELATED PARTY TRANSACTIONS (Note 8)

On behalf of the Board:

Signed: “Andrew F.B. Milligan”

Signed: “Iain F. MacPhail”

See Accompanying Notes

OREMEX RESOURCES INC.

STATEMENTS OF OPERATIONS AND DEFICIT

Years Ended November 30, 2006 and 2005

	2006	2005
ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 71,373	\$ 49,395
Amortization	13,155	9,977
Director and committee fees	94,500	33,250
Insurance	19,381	11,117
Legal	58,690	62,886
Management fees and salaries	170,550	298,991
Office expenses	167,850	81,244
Regulatory and filing fees	21,799	27,035
Rent	37,325	22,509
Shareholder relations	101,913	117,010
Stock-based compensation (Note 6)	578,145	327,847
Travel	111,052	27,258
	<u>1,445,733</u>	<u>1,068,519</u>
OTHER INCOME		
Interest income	124,846	39,948
Gain on sale of mineral property (Note 4)	389,267	-
Gain on sale of marketable securities	349,921	-
Loss on disposal of assets	(9,217)	-
Foreign exchange gain	-	16,720
	<u>854,817</u>	<u>56,668</u>
LOSS FOR THE YEAR	(590,916)	(1,011,851)
DEFICIT, beginning of the year	(3,508,445)	(2,496,594)
DEFICIT, end of the year	\$ (4,099,361)	\$ (3,508,445)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.02)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES		
OUTSTANDING – basic and diluted	<u>32,235,567</u>	<u>25,893,321</u>

See Accompanying Notes

OREMEX RESOURCES INC.

STATEMENTS OF CASH FLOWS

Years Ended November 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Loss for the year	\$ (590,916)	\$ (1,011,851)
Items not affecting cash:		
Amortization	13,155	9,977
Loss on disposal of assets	9,217	-
Gain on sale of mineral property	(389,267)	-
Gain on sale of marketable securities	(349,921)	-
Stock-based compensation	578,145	327,847
	(729,587)	(674,027)
Changes in non-cash operating accounts:		
Amounts receivable	77	2,917
Accounts payable and accrued liabilities	(30,467)	13,254
Prepaid expenses	(38,750)	(327)
Net cash used in operating activities	(798,727)	(658,183)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Mineral property interest acquisition costs	(673,367)	(503,204)
Exploration of mineral property interests	(1,127,804)	(1,907,549)
Proceeds from sale of property	40,000	-
Selling costs of mineral interests	(6,000)	-
Proceeds from sale of marketable securities	779,921	-
Proceeds from sale of equipment	7,888	-
Purchase of equipment	(40,359)	(20,520)
Net cash used in investing activities	(1,019,721)	(2,431,273)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from private placements	6,441,448	728,000
Proceeds from options exercised	244,750	25,000
Net cash provided by financing activities	6,686,198	753,000
Increase (decrease) in cash and cash equivalents	4,867,750	(2,336,456)
Cash and cash equivalents, beginning of year	1,103,925	3440,381
Cash and cash equivalents, end of year	\$ 5,971,675	\$ 1,103,925
Cash and cash equivalents consist of:		
Cash	\$ 288,754	\$ 43,425
Guaranteed investment certificates	-	1,060,500
Bankers acceptances and commercial paper	5,682,921	-
	\$ 5,971,675	\$ 1,103,925

SUPPLEMENTARY CASH FLOW INFORMATION (Note 10)

See Accompanying Notes

OREMEX RESOURCES INC.

SCHEDULE OF MINERAL PROPERTY INTERESTS

Years Ended November 30, 2006 and 2005

	2006			2005	
	Tejamen	San Lucas	Other Note 12 (b)	Total	Total
Acquisition costs					
Balance, beginning of year	\$ 1,126,877	\$ 317,869	\$ 222,674	\$ 1,667,420	\$ 1,164,217
Incurring during year:					
Property option payments	370,424	111,568	117,068	599,060	463,611
Property tax payments	65,454	6,591	2,262	74,307	39,592
Cost of property sold (Note 4)	-	-	(67,199)	(67,199)	-
Balance, end of year	\$ 1,562,755	\$ 436,028	\$ 274,805	\$ 2,273,588	\$ 1,667,420
Exploration expenditures					
Balance, beginning of year	\$ 4,393,412	\$ 547,419	\$ 64,426	\$ 5,005,257	\$ 3,097,707
Incurring during the year:					
Administration	123,611	-	-	123,611	-
Assaying	53,007	-	-	53,007	292,268
Camp costs & field supplies	127,715	5	32	127,752	156,033
Drilling	414,386	-	-	414,386	712,464
Exploration advances (Note 4)	390,023	-	-	390,023	191,154
IVA exploration credit (Note 4)	(463,804)	-	-	(463,804)	-
Geological consulting	327,459	2,977	6,155	336,591	316,561
Labour	72,778	-	-	72,778	153,183
Reports and maps	16,958	-	-	16,958	3,552
Transportation	51,146	2,763	2,594	56,503	82,335
Cost recovered on property sale	-	-	(7,535)	(7,535)	-
	1,113,279	5,745	1,246	1,120,270	1,907,550
Balance, end of year	\$ 5,506,691	\$ 553,164	\$ 65,672	\$ 6,125,527	\$ 5,005,257
Total mineral property interests	\$ 7,069,446	\$ 989,192	\$ 340,477	\$ 8,399,115	\$ 6,672,677

See Accompanying Notes

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

1. OPERATIONS AND BASIS OF PRESENTATION

The Company was incorporated on March 22, 1995 under the Canada Business Corporations Act. The Company's shares are traded on the TSX Venture Exchange under the trading symbol ORM.

The Company is in the process of exploring and evaluating its mineral property interests in Mexico. The Company presently has no proven reserves, and on the basis of information to date, has not yet determined whether any of its property interests contain economically recoverable ore resources. The amounts recorded as mineral property interests and deferred exploration costs represent costs incurred to date and do not necessarily represent present or future values. The recoverability of amounts recorded for mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its property interests, securing of underlying title on optioned properties and upon future profitable production.

Certain of the 2005 comparative figures have been reclassified for presentation purposes only to conform with the current basis of presentation.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Mineral property interests

The Company records interest in mineral properties at cost. Where specific exploration programs are planned and budgeted by management, mineral exploration costs are capitalized to specific property interests and carried at cost until the properties to which they relate are advanced to the development stage, placed into commercial production, sold, abandoned or determined by management to be impaired in value. Costs incurred to maintain or to acquire multiple properties which are considered by management to be in a common area of interest based on proximity and a common geological exploration strategy, are allocated across the common group of properties to which they relate.

Management evaluates each mineral interest or grouping whenever events or changes in circumstances occur that may indicate impairment. Management then makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether the carrying value is recoverable.

Mineral interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration programs, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

Capitalized exploration costs as reported on the balance sheet represent cost incurred to date or estimated recoverable amounts if lower than cost.

Proceeds of dispositions of partial resource interests on properties are credited as a reduction of carrying costs. No profit or loss is realized until all the related costs have been offset by disposition proceeds. If a property is placed into commercial production, accumulated costs to production will be amortized based on units of production or depletion.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

b) Equipment

Equipment is recorded at cost and amortized over the useful lives of the assets at the following rates:

Computer equipment	30% declining balance
Office furniture and equipment	20% declining balance
Site vehicles	30% declining balance
Software	100% declining balance
Leasehold improvements	3 year straight-line

c) Long-lived assets and intangibles

The carrying values of long-lived assets with fixed or determinable lives are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of undiscounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the period in which determination of impairment is made by management.

Assets with indefinite or indeterminable lives are not amortized and are reviewed for impairment on a reporting period basis using recoverable value measurements based on management's estimate of expected cash flows.

d) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of equipment and mineral property interests, useful lives for depreciation and amortization, determination of fair value for stock based and related party transactions, valuing proceeds of shares and warrants, foreign exchange conversions and allocations of exploration and related overhead costs to specific property interests. Where estimates have been used financial results as determined by actual events could differ from those estimates.

e) Basic and diluted loss per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding.

The Company uses the treasury stock method for computing diluted earnings (loss) per share. This method assumes that any proceeds obtained upon exercise of options or warrants, would be used to purchase common shares at the average market price during this period.

The effect of applying the treasury stock method to the Company's loss per share calculation is anti-dilutive. Therefore, basic and diluted losses per share are equal for the years presented.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

f) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, and amounts due to related parties. The fair value of these financial instruments approximate their carrying value due to their short-term maturity.

Cash equivalents include money market based investments, bankers acceptances, and guaranteed investment certificates where maturity is less than ninety days and that may be liquidated at the Company's option without significant penalty or significant change in value.

Financial instruments that include derivative provisions are valued at fair value and adjusted on a reporting period basis.

g) Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk directly. The Company is at risk for fluctuations in commodity pricing and foreign currency exchange rates. The Company has not used forward or hedging contracts for foreign currency or commodity risk.

Mineral exploration activities expose the Company to a potential environmental liability for reclamation of property in accordance with law and regulations of the jurisdictions in which the Company operates. The Company is currently in the exploration stages on its Mexican property interests and has not determined whether significant site reclamation costs will be required. The Company records liability for site reclamation, when determinable, on a systematic accrual basis in the period in which such costs, if any, can be reasonably determined. Management has developed policies and practices for the Company's exploration activities designed to reasonably comply with environmental laws and regulations. However there is no certainty that all environmental risks have been addressed.

The Company requires additional approvals from both local and federal government authorities to continue its drilling programs. Furthermore, the development of the Tejaman project (Note 4) may require the relocation of a small village to access portions of potential ore bodies. Accordingly, there are potential future political and legal risk implications should the project advance to a commercial production stage.

The Company is not exposed to significant credit concentration risk and is exposed to moderate interest rate risk on money market instruments.

h) Administrative Expenses

Administrative expenses not directly associated with mineral properties are expensed in the period incurred.

i) Future Income Taxes

The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3465 in accounting for corporate income taxes. The section focuses on the amount of income taxes payable or receivable that would arise if an asset is realized or a liability is settled for its carrying amount. The resulting future income tax asset or liability is recorded based on substantially enacted

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

income tax rates expected to be in effect when timing differences reverse. In the case of unused tax losses, income tax reductions and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of such benefits at the balance sheet date.

The Company has not recognized any future tax asset amount as criteria set out in the section for recognition have not been met.

j) Stock-based compensation

The Company reports and records all stock-based transactions following the guidelines of CICA Handbook Section 3870. The Company follows the fair-value method for recording all stock-based compensation to directors and consultants.

The Company measures and recognizes the fair value of share based awards at the time of grant, repricing, or significant changes in terms. Where vesting provisions are included in the award the fair value of the award is charged to operations systematically over the expected service period.

Option and fair pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options or awards.

k) Foreign exchange

The functional and reporting currency of the Company is Canadian dollars.

Balance sheet items denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates in effect at the transaction date for the non-monetary items. Income statement items are translated at actual rates or average rates prevailing during the year.

Realized gains and losses from foreign currency translation are charged to income in the period in which they occur.

l) Asset retirement obligations

The Company follows the accounting guidelines of CICA Handbook Section 3110, relating to the recognition and disclosure of liabilities for long lived assets, retirement obligations and associated asset retirement costs. Management has reviewed the Company's determinable or likely future obligations and retirement costs of long lived assets for known obligations under contract, common practice, or laws and regulations in effect or anticipated. Any future retirement costs determinable will be added to the cost of the asset and amortized over the life of the asset and a corresponding liability will be recognized on a systematic basis when quantifiable.

m) Marketable securities

Marketable securities are recorded at the lower of cost and market.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

3. EQUIPMENT

	2006		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	25,577	6,984	18,593
Office furniture and equipment	15,635	1,563	14,072
Software	6,944	3,741	3,203
Leasehold Improvements	2,909	436	2,473
Site vehicles	18,400	10,736	7,664
	<u>69,465</u>	<u>23,460</u>	<u>46,005</u>
	2005		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	17,726	4,305	13,421
Office furniture and equipment	13,932	2,395	11,537
Software	537	537	-
Site vehicles	18,400	7,452	10,948
	<u>50,595</u>	<u>14,689</u>	<u>35,906</u>

4. MINERAL PROPERTY INTERESTS

The Company initially agreed to acquire options for the Tejamen silver property, the San Lucas silver property and four other mineral properties located in the states of Durango and Zacatecas, Mexico, pursuant to an agreement dated February 28, 2003 (the "Letter Agreement"), between the Company and Minera Montana S. de C.V. ("Minera Montana"). Minera Montana is a Mexican corporation controlled by an individual who, subsequent to signing of this agreement, became an officer and director of the Company. The Letter Agreement originally contemplated that the Company would acquire Minera Montana in consideration for the issuance of not less than 3,500,000 common shares of the Company. The structure of the transaction was changed in June 2003, whereby the parties entered into a formal property option agreement dated effective February 28, 2003, as amended, (the "Option Agreement") that replaced and superseded the Letter Agreement. In connection with revisions to the agreement structure, the individual above and certain members of his family subscribed for 3,500,000 Series A Special Warrants of the Company at a price of \$0.001 per special warrant.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

4. MINERAL PROPERTY INTERESTS – CONT'D

In accordance with the terms of the Option Agreement, the Company paid the sum of \$3,500 and reimbursed other costs incurred by Minera Montana totaling \$236,954. The Option Agreement gives the Company the right to acquire the property interests presently held by Minera Montana upon payment of amounts due to the underlying property holder under the Jarvis Agreement described below. Minera Montana has agreed to assign all of its mineral property interests to a Mexican corporation which will be a wholly-owned subsidiary of the Company.

Minera Montana has agreed to acquire the mineral exploration concessions under an option agreement dated July 20, 2000 with the underlying property owner, as amended (the "Jarvis Agreement"). Under the terms of the Jarvis Agreement (subsequently amended on October 28, 2005), Minera Montana has the right to acquire the concessions by making payments totaling US\$2,118,000 (approximately \$2,487,264), of which US\$1,200,000 (approximately \$1,470,264) has been paid to August 31, 2006, plus an adjustment to compensate the underlying owners for any directly related taxes. The remaining cash payments under the options are due as follows:

January 20, 2007	US\$420,000 (approximately \$465,000)
July 20, 2007	US\$498,000 (approximately \$552,000)

Payment on a tax-free basis is interpreted to mean that Minera Montana is also obligated to pay the Mexican IVA tax and the Mexican ISR tax on behalf of the property owner. The above payment schedule is inclusive of this tax liability. Minera Montana has the right to terminate the Jarvis Agreement on thirty days' notice. The mineral exploration concessions which are the subject of the Jarvis Agreement include concessions that form part of the Tejaman Silver Property and the San Lucas Silver Property, as well as four other mineral property interests (Note 12). The La Parilla property, one of the mineral properties that was included in the initial agreement was sold during the reporting period. Additional mineral concessions are held by Minera Montana, and are included in the Minera Montana agreement for the Company, pursuant to the Option Agreement.

In order to maintain the options in good standing, the Company is required to pay property taxes on the mineral concessions to the Mexican government in January and July of each year. During the year ended November 30, 2006, total payments of \$20,764 [MP\$225,711] (2005 - \$39,252 [MP\$335,595]) were made. The minimum annual exploration work that is required to maintain the mineral concessions under option is approximately \$48,500 (MP\$475,000).

On June 1, 2006, the Company completed the sale of its interest in the La Parilla property to First Majestic Resources Corp. ("First Majestic") for \$40,000 and 200,000 common shares of First Majestic at a deemed price of \$2.15 per share for gross proceeds of \$470,000. The carrying value of the La Parilla claim group at the time of the sale was \$74,733 (2005 - \$19,618). The Company realized a gain from this sale of \$389,267 net of direct expenses.

On June 6, 2006, the Company, Minera Montana, Canasil Resources Inc. ("Canasil") and its wholly-owned subsidiary Minera Canasil S.A. de C.V., signed a letter of agreement granting Canasil the right to acquire 100% interest in the Mezquetal silver-zinc-lead claims, in which the Company and Minera Montana have an option to earn a 100% interest. A director of the Company had served as an officer of Canasil at the onset of the transaction. The sale was completed, subject to regulatory approval, on December 8, 2006. (See Schedule and Note 12)

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

4. MINERAL PROPERTY INTERESTS – CONT'D

During the period Minera Montana received IVA (value added tax) refunds of \$463,804 related to acquisition costs and exploration work incurred on exploration programs in Mexico. Accordingly, the amount of the IVA refunds received relating to the Oremex programs by prior agreement have been treated as a credit towards the Company's future exploration of the mineral interests. At November 30, 2006, the unallocated exploration credit remaining is approximately \$390,023 and is reported as unallocated advances. The amount of the future credit is not refundable in cash. Accordingly the balance has not been reported as a current asset or deposit. As the advance is used the amount will be allocated to specific expenditure classifications.

5. SHARE CAPITAL

a) Common Shares

Authorized:

Unlimited number of common shares, without par value

Issued and outstanding common shares:

	2006		2005	
	Number	Amount	Number	Amount
Balance, beginning of year	27,098,992	\$ 9,430,048	25,578,992	\$ 8,665,735
Shares issued:				
Options exercised (i)	450,000	443,309		
Private placement – Shares (ii)	9,333,333	5,997,393		
- Warrants		1,002,607		
Options exercised			50,000	36,313
Private placement – Shares (iii)			1,470,000	484,874
- Warrants				279,526
Share issue costs		(558,552)		(36,400)
Balance, end of year	36,882,325	\$16,314,805	27,098,992	\$ 9,430,048

- i. During the year the Company received \$244,750 from the exercise of 450,000 stock options at prices ranging from \$0.50 to \$0.57 per share. These stock options had a previously determined fair value of \$0.30 per option, which has been allocated from contributed surplus to share capital.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

5. SHARE CAPITAL – CONT'D

- ii. On May 19, 2006, the Company closed a private placement for 9,333,333 units at a price of \$0.75 per unit for gross proceeds of \$7,000,000. Each Unit consists of one common share and one-half of one transferable warrant, each whole warrant entitling the holder to purchase one common share until November 18, 2007 at \$0.95 per share, subject to an acceleration provision such that if, at any time following four months after the closing of the financing, the closing price per share on the TSX Venture Exchange is \$2.00 or higher for twenty consecutive business days, then the Company may give the investors notice that the warrants must be exercised or they will expire within 30 days of such notice. The fair value of the warrants attached to the share units has been estimated to be \$1,002,697. All securities are subject to a four-month hold period. In connection with the private placement, the Company paid finder's fees of \$512,050 in cash.

- iii. On September 22, 2005, the Company closed a private placement for 1,400,000 units at a price of \$0.52 per unit for gross proceeds of \$764,400. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.65 until March 20, 2007. The Company issued additional 70,000 units as a finders' fee in connection with the financing. The fair value of the warrants attached to the share units has been estimated to be \$279,526.

b) Share Purchase Options

In April 2004, the Company adopted a 10% rolling share purchase option plan whereby options may not exceed 10% of the total number of shares issued and outstanding of the Company from time to time on a non-diluted basis. On May 11, 2006, the plan was updated and re-approved. For the period ended November 30, 2006 options were outstanding as follows:

	Granted and outstanding			Vested and exercisable	
	Number Of Options	Weighted Average Exercise Price (\$)	Weighted Average number of Years to expiry	Number Outstanding	Weighted Average Exercise Price (\$)
Balance, November 30, 2004	1,435,000	0.60	3.55	1,435,000	0.62
Granted	1,015,000	0.80	3.84	865,000	0.81
Exercised	(50,000)	0.50	-	(50,000)	0.50
Cancelled	(725,000)	0.63	0.57	(575,000)	0.66
Balance, November 30, 2005	1,675,000	0.69	3.61	1,675,000	0.69
Granted	1,400,000	0.77	4.45	1,400,000	0.77
Exercised	(450,000)	0.54	-	(450,000)	0.54
Cancelled	(300,000)	0.50	1.97	(350,000)	0.50
Balance, November 30, 2006	2,325,000	0.74	3.33	2,325,000	0.66

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

5. SHARE CAPITAL – CONT'D

Option Expiry dates are as follows (see Note 6c):

Number	Exercise Price	Expiry
435,000	\$0.50	November 18, 2008
150,000	0.52	December 15, 2008
125,000	0.52	January 25, 2010
150,000	0.52	February 28, 2007
40,000	0.52	May 31, 2010
200,000	0.52	September 21, 2010
50,000	0.52	November 23, 2010
675,000	0.89	May 11, 2011
100,000	0.89	February 28, 2007
250,000	0.60	July 17, 2011
50,000	0.73	August 21, 2011
<u>100,000</u>	0.70	August 31, 2011
<u>2,325,000</u>		

c) Share Purchase Warrants

Transactions involving the Company's share purchase warrants have been summarized as follows:

	Number Of Warrants	Weighted Average Exercise Price (\$)	Weighted Average Number of Years to Expiry
Balance, November 30, 2004	1,888,881	1.07	0.46
Issued	735,000	0.65	1.50
Expired	<u>(1,888,881)</u>	1.07	-
Balance, November 30, 2005	<u>735,000</u>	0.65	1.33
Issued	<u>4,666,667</u>	0.95	0.97
Balance, November 30, 2006	<u><u>5,401,667</u></u>	0.91	0.88

The warrant expiry dates are as follows:

Number	Price	Date
735,000	\$0.65	March 21, 2007
<u>4,666,667</u>	\$0.95	November 19, 2007
<u>5,401,667</u>		

d). Escrow Shares

Escrowed shares totalling 1,980,000 shares were released from escrow during the year. As of November 30, 2006, no shares were held in escrow.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

6. CONTRIBUTED SURPLUS AND STOCK-BASED TRANSACTIONS

During the year, the Company entered into certain transactions involving share rights for consultants and key personnel. The Company recorded contributed surplus arising from stock-based compensation related to these rights as follows:

Contributed surplus

	2006	2005
	\$	\$
Balance, beginning of year	1,833,086	1,516,552
Fair value of 790,000 stock options granted and vested	-	327,847
Transfer of share capital upon exercise of 50,000 stock options	-	(11,313)
Fair value of 1,400,000 stock options granted and vested	514,936	-
Fair value adjustment upon repricing of options	63,209	-
Transfer of share capital upon exercise of 450,000 stock options	(198,559)	-
Balance, end of year	<u>2,212,672</u>	<u>1,833,086</u>

- a) For the year ended November 30, 2006, the Company recorded stock-based compensation expense of \$514,936 (2005 - \$327,847) with respect to 1,400,000 stock options (2005 - 790,000) granted to directors and officers of the Company.
- b) During the year, 765,000 stock options granted to officers, consultants and directors were repriced to \$0.52 per share from exercise prices ranging between \$0.80 and \$1.02. A modification to an outstanding share based award that results in an improvement to the award requires the incremental fair value increase to be measured and recorded as additional stock-based compensation in the period of modification. The repricing of these options was approved by the shareholders at the Annual General Meeting held in May 2006. The fair value increase of repricing the 765,000 stock options has been determined to be \$63,209 using the Black-Scholes option pricing model.
- c) During the year, 450,000 stock options granted in prior periods were exercised at prices ranging from \$0.50 to \$0.57 per share. \$198,559 was transferred from contributed surplus to share capital as a result of the exercise.

The Company determined the fair value of the granted stock options on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	2006	2005
Risk free interest rate	3.80–4.20%	2.84–3.75%
Volatility	85–89%	84–89%
Expected life of options	2.5 yrs	2.5 yrs
Dividend rate	0%	0%

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

7. INCOME TAXES

	2006	2005
Income Tax Reconciliation		
Expected tax recovery at statutory rates 34.1%	(201,502)	35.0% (354,148)
Non-deductible items for tax purposes	(45,190)	117,515
Changes in tax rates	19,800	-
Unrecognized benefit of non-capital losses	225,123	282,450
Other	<u>1,769</u>	<u>45,817</u>
Income tax expense	<u> -</u>	<u> -</u>

The Company has non-capital losses available for income tax purposes totaling approximately \$2,811,000, which may be carried forward to reduce future year's taxable income. These losses will expire at different stages up to and including 2016:

Year of Expiry	Non-capital Loss (\$)
2007	30,000
2008	4,000
2009	15,000
2010	217,000
2014	1,078,000
2015	807,000
2016	<u>660,000</u>
	<u>2,811,000</u>

The Company's future income tax assets are as follows:

	2006	2005
Potential future income tax assets:		
Non-capital loss carry forwards	<u>2,811,000</u>	<u>2,200,000</u>
Potential tax recovery at substantially enacted rates of 34.1% (2005 - 35.0%):	958,000	770,000
Valuation allowance (100%)	<u>(958,000)</u>	<u>(770,000)</u>
Net future income tax asset	<u> -</u>	<u> -</u>

The Company has possible foreign expenditure and development deduction pools of approximately \$7,580,000 (2005 - \$6,265,000) at the end of the year. The potential deduction pools may be carried forward indefinitely and when confirmed may be deducted annually at the greater of 10% of the pool and the amount of resource profits determined in accordance with relevant tax regulations.

The criteria for recognizing potential future tax benefits as an asset have not been met. Management has determined that a valuation allowance of 100% is appropriate.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

8. RELATED PARTY TRANSACTIONS

During the year, the Company incurred the following amounts in transactions with directors and companies with common directors:

	2006	2005
	\$	\$
Stock-based compensation	390,714	212,879
Consulting fees	11,615	165,572
Directors fees	94,500	33,250
Deferred mineral property exploration:		
Drilling payments and advances (a)	804,409	646,159
Geological consulting, field supplies, assays, transportation, and labour (b)	449,917	434,645
Acquisition payments (a)	673,367	819,471
Geological consulting, travel and field supplies (b,c,d)	180,043	154,205
	<u>2,604,565</u>	<u>2,466,181</u>

- a) Funds for the budgeted mineral property exploration program in Mexico were advanced to Minera Montana, a company controlled by a director and officer of the Company. Minera Montana is contracted to provide and manage the exploration program conducted in Mexico (see Schedule of Mineral Property Interests). Amounts paid to third parties by Minera Montana are reimbursed at cost. Charges paid by Minera Montana for equipment rentals and drilling services, that are provided by a company controlled by a director, are charged at market rates.
- b) Amounts are paid or payable to a corporation controlled by a director and officer of the Company relating to the property exploration programs, primarily the Tejaman project (see Schedule of Mineral Property Interests).
- c) Management and geological consulting fees of US\$5,400 per month for March and April and US\$9,000 per month from May to August were charged for site and project management.
- d) The travel amount includes reimbursement charges for the use of a private plane owned and piloted by the director.

On November 16, 2005, the Company passed a resolution to compensate directors and committee members. The resolution was updated on May 11, 2006. Director compensation totaled \$94,500 for the year ended November 30, 2006 (2005 - \$33,250).

Transactions with related parties have been measured at their exchange amount, being the amount agreed to by the related parties.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

9. COMMITMENTS

- a) On November 30, 2003, the Company entered into an agreement for the provision of management and technical services from a company controlled by an officer and director. Compensation under the agreement was US\$9,000 per month. On May 31, 2005, this contract was amended to US\$5,400 per month. On November 16, 2005, this contract was renewed for a further six months. Effective May 1, 2006, compensation was reinstated to US\$9,000 per month.
- b) On November 30, 2003, the Company entered into an agreement for the provision of management and technical services from a company controlled by an officer and director. Compensation under the agreement was \$9,346 per month for an initial term of one period and renewed annually until rescinded. On May 31, 2005, this contract was amended to \$4,673 per month. The contract expired on November 30, 2005.
- c) On November 30, 2003, the Company entered into an agreement for the provision of management and administrative services from a company controlled by an officer and director. Compensation under the agreement was \$9,346 per month for an initial term of one period and renewed annually until rescinded. On May 31, 2005, this contract was amended to \$4,673 per month. The contract expired on November 30, 2005.
- d) On May 31, 2005, the Company entered into an agreement for the provision of management services by a senior officer. Compensation under the agreement was \$5,000 per month for the initial term of three months and renewed quarterly until rescinded. On November 16, 2005, this contract was renewed for a further eighteen months. On May 1, 2006, the contract was amended to increase compensation to \$7,000 per month. The contract was terminated on September 1, 2006.
- e) On August 29, 2006, the Company entered into an agreement for the provision of financial consulting services, without charge for the first two hours each month and at a fixed rate for each hour thereafter, in consideration of the extension of existing stock options to February 27, 2007.
- f) On December 20, 2005, the Company entered into an agreement for the provision of management services by a senior officer. Compensation under the agreement was \$5,500 per month. Under the agreement, 225,000 share purchase options were granted that are exercisable at a price of \$0.57 per share for a period of up to five years. All options were exercised during the period. The management services agreement was cancelled February 15, 2006.
- g) On May 11, 2006, the Company entered into an agreement for the provision of corporate finance advisory services for a period of six months at \$7,500 per month. The contract allowed for termination subject to one month's notice. The contract was terminated on September 30, 2006 for an effective date of October 31, 2006.
- h) On July 17, 2006, the Company entered into an employment agreement with a senior officer. Compensation under the agreement is \$13,750 per month for the initial term ending November 30, 2006, and \$16,666 per month until November 30, 2007. The contract term ends November 30, 2009. Under the agreement, 250,000 share purchase options were granted that are exercisable at a price of \$0.60 per share for a period of up to five years.
- i) On September 5, 2006, the Company entered into an employment agreement with a senior officer. Compensation under the agreement is \$5,000 per month, and the grant of 100,000 stock options under the incentive option plan. The options are exercisable at a price of \$0.70 per share for a period of five years.

OREMEX RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS

As at November 30, 2006 and 2005

10. SUPPLEMENTARY CASH FLOW INFORMATION

In July 2006, the Company received 200,000 shares of First Majestic Resources Inc. at a deemed value of \$2.15 per share (\$430,000) as proceeds from the sale of the Company's La Parilla mineral option interest. This non-cash transaction has been excluded from the statement of cash flows.

The Company paid no interest or income taxes during the years ended November 30, 2005 and 2006.

11. SEGMENTED INFORMATION

The Company operates in a single industry segment. At the year end, assets by geographic location are as follows:

	2006 \$	2005 \$
Mexico	8,399,115	6,672,677
Canada	6,082,371	1,165,849
	<u>14,481,486</u>	<u>7,838,526</u>

12. SUBSEQUENT EVENTS

- a) On December 7, 2006, the Company announced the purchase of a reverse circulation drill rig to be utilized on its Mexican properties. The purchase price of the rig was US\$247,000 (approximately \$285,570). The rig will be operated by Tiger Drilling, a private company controlled by a common director. Payment was made in full for the rig as of December 21, 2006 and the rig is expected to be available for operation in early 2007. The Company has agreed to an operating arrangement with Tiger Drilling that includes reduced drilling rates per metre applied to a buyout option for the operator. This arrangement constitutes a financing lease to the operator for accounting purposes.
- b) On December 8, 2006, the Company, Minera Montana, Canasil Resources Inc. ("Canasil"), and Canasil's wholly owned subsidiary Minera Canasil S.A. de C.V. completed the sale of the right to acquire a 100% interest in the Mezquetal silver-zinc-lead claims. A director of the Company had served as an officer of Canasil at the onset of the transaction. Upon regulatory approval, and the transfer of title, the purchase agreement requires Canasil to issue 650,000 common shares and 75,000 share purchase warrants to the Company. Each warrant will entitle the Company to acquire one common share of Canasil at a price \$0.50 within 12 months of regulatory approval. The carrying value of the property as of November 30, 2006 was approximately \$182,900 and is included in the Schedule of Mineral Property Interests under Other.

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Management's Discussion & Analysis
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EFFECTIVE DATE

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of Oremex Resources Inc. ("the Company") for the year ended November 30, 2006 and incorporates certain information from prior fiscal years. This MD&A should be read in conjunction with the audited financial statements of the Company for the year ended November 30, 2006 and the audited financial statements for the year ended November 30, 2005. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise. The effective date of this Management's Discussion and Analysis is February 26, 2007. This MD&A contains statements that constitute "forward-looking" statements and other cautionary notices (refer to "Forward-Looking Statements and Estimates" in this MD&A).

OVERALL PERFORMANCE

The Company is an active exploration and development company with its primary focus on the acquisition and development of mineral properties in Mexico. Through an agreement with Minera Montana S. de R.L. de C.V. ("Minera Montana"), a company controlled by an individual who subsequently became a director and officer of the Company, the Company obtained the right to acquire five properties in the State of Durango and one property in the State of Zacatecas. In addition, the Company has acquired a property in each of the States of Sinaloa and Sonora. Since November 2003, the Company has made significant progress in advancing the development of its key asset, the Tejamen Silver Property ("Tejamen").

During the year, the Company:

- Completed a private placement consisting of 9,333,333 units at \$0.75 per unit for gross proceeds of \$7 million. Each unit consists of a half warrant exercisable for an 18 month period at \$0.95 per share.
- Reported final assay results from the balance of its 2005 reverse circulation drill program, confirming the widespread distribution of silver values beyond the February 2005 NI 43-101 compliant Technical Report, which defined an initial resource on Tejamen.
- Engaged Wardrop Engineering Inc. to complete a NI 43-101 compliant Technical Report on Tejamen. The April 2006 report concluded that, based on 217 holes of 36,139 metres of reverse circulation drilling, there is a 50.8 million ounce silver equivalent resource in 22.6 million tonnes grading 69.8 grams per tonne of silver equivalent. Mineralization remains open at depth and in several directions.
- Submitted samples for metallurgical testing by McClelland Labs Inc. of Sparks, Nevada. The selected samples represent a composite of test material and yielded an average silver recovery of 73 percent for the two columns tested.

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- Completed a 1,500-metre diamond drilling program at Tejamen to provide larger samples for metallurgical and rock mechanics testing, as well as to further delineate the mineral resource.
- Engaged Snowden Mining Industry Consultants to complete a NI 43-101 compliant Technical Report on Tejamen. The October 2006 independent Preliminary Assessment Study concluded that a 10,000 tonne per day, open pit heap leach project can generate significant return on investment with a net present value of US\$58.6 million at a silver price of US\$10.00 per ounce and US\$97.4 million at a silver price of US\$12.00 per ounce.
- Engaged Call & Nicholas Inc. to complete an independent geotechnical review of Tejamen. The October 2006 report confirmed that rock strengths could support pit slope angles utilized in the Preliminary Assessment Study.
- Implemented a quality control/quality assurance program to provide added confidence to resource and reserve estimates.
- Completed a surface sampling program at the San Lucas property. Assay results are pending.
- Completed the sale of the La Parilla property to First Majestic Resources Corp. and the sale of the Mezquetal property to Canasil Resources Inc. (as a subsequent event). Both properties are considered non-core to the Company.
- Strengthened the management team with the hiring of a new chief executive officer and a new chief financial officer.
- Strengthened the Board with the addition of two new and experienced members: Mr. Jack Jefferson and Mr. Francisco Crespo Hernandez.
- Subsequent to the year end, the Company purchased a reverse circulation drill rig and entered into an operating and maintenance agreement for the rig.

RESULTS OF OPERATIONS

Tejamen Property, State of Durango

Tejamen is the Company's most advanced project. The property, located 130 kilometres northwest of Durango, the capital of the State of Durango, consists of 22 claims covering approximately 1,682 hectares. Access is via paved highway from Durango to Nuevo Ideal and via 15 kilometres of good gravel road from Nuevo Ideal to Tejamen.

Drilling began at Tejamen in December 2003 and by the end of fiscal year 2005, the Company had completed 217 reverse circulation drill holes totaling in excess of 36,000 metres. A NI 43-101 compliant Technical Report, based on 166 holes in 26,500 metres of drilling, was prepared by Norm Tribe and Associates and released in February 2005.

In April 2006, the Company released results of a second NI 43-101 compliant Technical Report prepared by Wardrop Engineering Inc. (the "Wardrop Report"). The Wardrop

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Report, based on 217 holes in over 36,000 metres of drilling, indicated that Inferred Mineral Resources amounted to 50.8 million ounces in 22.6 million tonnes at a grade of 66.9 grams per tonne silver ("gpt") and 0.05 gpt gold or 69.8 gpt silver-equivalent.

Six samples were prepared and submitted for metallurgical testing by McClelland Labs Inc. of Sparks, Nevada. The selected samples represent a composite of test material. The average silver recovery for the two columns was 73 percent. These results were obtained over periods ranging from 106 to 162 days of leaching. The Company is pleased with these results as the testing indicates the material is amenable to processing using heap leaching technology. Data suggests that lime and cyanide usage are modest.

During the second and third quarters, the Company completed 1,500 metres of diamond drilling to provide larger samples for metallurgical and rock mechanics testing as well as to further delineate the resource. Results from that drill program are pending.

During the third quarter, the Company engaged Snowden Mining Industry Consultants ("Snowden") to complete a NI 43-101 compliant Technical Report, an independent Preliminary Assessment Study ("PAS") on Tejaman. In order to complete the study, Snowden utilized the results of the independent resource study by Wardrop. Snowden developed a base case mining scenario that defined an optimized pit shell containing 21.7 million tonnes grading 51.9 gpt silver and 0.023 gpt gold.

Based on the cost and productivity assumptions provided in the PAS, Snowden concluded that a 10,000 tonne per day (3.65 million tonnes per year) surface mining project and heap-leach processing system could generate significant return on investment with a net present value of US\$58.6 million at a silver price of US\$10.00 per ounce and US\$97.4 million at a silver price of US\$12.00 per ounce.

The following table (excerpted from PAS) illustrates the impact of the silver price on the estimated Net Present Value (NPV) of the project, before taxes. A 7% discount rate has been applied.

NPV Sensitivity to Metal Value

Ag Value	NPV
\$US/oz	(US\$million)
8	19.2
10	58.6
12	97.4
15	155.5

Also during the third quarter, the Company adopted, with external advice from Snowden, a quality assurance/quality control program in order to increase certainty regarding mineral resources. That program is being implemented.

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Call & Nicholas Inc. of Tucson, Arizona were retained during the fourth quarter to conduct a geotechnical review at Tejamen. Their findings with respect to rock strengths generally support the pit slope angles utilized by Snowden for a preliminary pit design.

Work at Tejamen during the year confirmed a substantial silver resource that is open in several directions, and the preliminary economic viability of a 10,000 tonne per day open-pit resource. The Company intends to engage a full-time development manager in order to transition Tejamen from exploration through to development. The Company also intends to enhance community relations with the village of Tejamen (the "Ejido") in order to expedite project development, commence additional drilling at the project to confirm reserves and expand resources, ensure that all permitting requirements are met, and arrange for necessary permits from federal agencies to facilitate near-term production, subject to the results of an independent feasibility study in late 2007.

On February 26, 2007, subsequent to the completion of the financial statements, the Company announced that the Ejido, by a narrow margin, elected not to renew the surface access permit for the Tejamen Silver Property. The Company is encouraged, however, by the level of support received from various individuals of the Ejido.

While continuing to work with the Ejido in ongoing attempts to secure access to the surface, the Company is now initiating formal proceedings under Mexican law to secure access to surface rights. Notwithstanding that legal proceedings are always subject to some uncertainty, based on advice from Mexican legal counsel management believes that there is a firm and binding legal process which will result in the Company obtaining surface rights should ongoing negotiations with the Ejido not be successful. Under Mexican Law exploration, exploitation and processing of minerals are considered of public benefit and therefore have preferential status over any other use of the land. Oremex will be guided by legal counsel to seek remedies under that law, which remedies include, but may not be limited to, obtaining occupancy or expropriation of the land.

The Company also announced that it has completed the final buyout of the underlying owner for the mineral concessions in its property portfolio including the Tejamen Silver Property, part of the San Lucas Property and three other property interests. There are no ongoing obligations or residual royalties payable to, or net profit interests retained by, the former owner of the mineral concessions.

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San Lucas Property, State of Durango

The San Lucas Property ("San Lucas"), located 86 kilometres north of the city of Durango and accessed via paved highway, consists of 18 claims totaling approximately 1,033 hectares.

San Lucas consists of a series of northeast trending mineralized shear zones in volcanic rocks traceable along strike for about 4 kilometres. During fiscal year 2005, the Company drilled 19 reverse circulation drill holes totaling 3,042 metres across one of the mineralized zones. Drill holes, spaced approximately 100 metres apart along the northeast striking structure, indicate a large disseminated gold-silver-lead-zinc system. The mineralization is traced by drilling along a strike length of about 1,700 metres with widths of up to 70 metres. Surface mapping has traced the zone for over 4 kilometres and mineralization is open along strike and to depth.

A surface mapping and sampling program was completed in late 2006 on a second sheared and altered system on the property. A detailed mapping program is planned for San Lucas in 2007. A 5,000 metre reverse circulation drilling program was initiated on February 9, 2007 testing extensions down dip and along trend of mineralization.

La Parilla Property, State of Durango

The La Parilla Property ("La Parilla"), located 52 kilometres east-southeast of the city of Durango, consists of two claims covering approximately 25 hectares. During the third quarter, the Company completed the sale of La Parilla to First Majestic Resources Corp. ("First Majestic") for \$40,000 and 200,000 common shares of First Majestic at a deemed price of \$2.15 per share for gross proceeds of \$470,000. Subsequently, during the fourth quarter, the shares of First Majestic were sold for a net gain, after commissions, of \$349,921.

Mezquetal Property, State of Durango

The Mezquetal Silver-lead-zinc Property ("Mezquetal"), located 63 kilometres southeast of Durango, consists of three claims covering approximately 161 hectares. Subsequent to year end, the Company completed the sale of Mezquetal to Canasil Resources Inc. ("Canasil") for 650,000 common shares and 75,000 share purchase warrants. Each warrant entitles the Company to acquire one common share of Canasil at a price of \$0.50 within twelve months. Subsequent to year end, the TSX Venture Exchange granted regulatory approval.

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Chalchihuites Property, State of Zacatecas

The Chalchihuites Silver-lead-zinc Property, located 100 kilometres southeast of the city of Durango and 100 kilometres northwest of Fresnillo, Zacatecas, consists of four claims totaling 48 hectares. This property, located on the northern end of the Chalchihuites silver producing district, is a veined manto system that in the past has produced high grade silver, lead and zinc. The Company has not performed any field work on the property during the year.

El Sol Property, State of Durango

The El Sol Property, located 73 kilometres northeast of the city of Durango, consists of a single claim covering approximately 63 hectares. The high grade silver-lead-zinc system on the property has seen past production. The Company has not performed any field work on the property during the year.

Maco Property, State of Sinaloa

The Maco Property, located near San Blas, Sinaloa, is comprised of a single claim covering 5,000 hectares. The claim covers a large area of prospective gold/copper porphyry mineralization. During the first quarter of fiscal 2006, rock chip sampling of a copper-stained cliff was undertaken. Results are encouraging and further work is planned for fiscal 2007.

Navidad Property, State of Sonora

The Navidad Property is located in the municipality of Cucurpe, Sonora in northern Mexico. The claim, in the vicinity of the Santa Gertrudis heap-leach operation, covers approximately 134 hectares. Prior information indicates the area is prospective for disseminated gold. The Company completed a preliminary surface sampling program in 2006. Results are pending.

SUMMARY OF AUDITED ANNUAL INFORMATION

The Company is a mineral exploration company with no revenues from operations and no ongoing mining operations. In order to sustain the exploration programs, the Company raises capital primarily through the sale of common shares. Interest income is generated from the investment of surplus cash reserves.

The following summary of financial information is taken from the audited annual financial statements of the Company for 2006, 2005, and 2004. The effect of applying the treasury stock method to the Company's loss per share calculation is anti-dilutive. Therefore, basic and diluted losses per share are equal for the years presented.

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Selected Annual Financial Information

(Audited) (Dollars expressed as \$thousands)	Nov 30, 2006	Nov. 30, 2005	Nov. 30, 2004
a) Total revenues	Nil	Nil	Nil
b) Loss before discontinued operations and extraordinary items	\$(1,446)	\$(1,012)	\$(998)
c) Basic and diluted loss per share	\$(0.02)	\$(0.04)	\$(0.05)
d) Net loss for the year	\$(591)	\$(1,012)	\$(998)
e) Basic and diluted loss per-share	\$(0.02)	\$(0.04)	\$(0.05)
f) Total assets	\$14,481	\$7,839	\$7,756
g) Total long-term financial liabilities	Nil	Nil	Nil
h) Cash dividends per share for each class of share	Nil	Nil	Nil

The losses, year over year, reflect the current stage of development of the Company from its initial public offering in fiscal 2003 along with acquisition of the mineral properties through to the sustaining four years of exploration work, primarily on Tejaman. The increase of total assets, year over year, reflects the capitalization of exploration program costs partially offset by declining cash balances used to fund the program.

SUMMARY OF QUARTERLY RESULTS

The following information is derived from the unaudited interim financial statements of the Company that were prepared by management in accordance with Canadian GAAP.

Period	Revenues	Loss (Income)	Loss (Income) per share
	(Unaudited)	(Unaudited)	(Basic and fully diluted) (Unaudited)
Nov. 30, 2006	Nil	\$ (98,000)	\$(0.005)
Aug. 31, 2006	Nil	\$(103,000)	\$(0.005)
May 31, 2006	Nil	\$ 581,000	\$ 0.02

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Feb. 28, 2006	Nil	\$ 211,000	\$ 0.01
Nov. 30, 2005	Nil	\$ 298,000	\$ 0.01
Aug. 31, 2005	Nil	\$ 256,000	\$ 0.01
May 31, 2005	Nil	\$ 245,000	\$ 0.01
Feb. 28, 2005	Nil	\$ 213,000	\$ 0.01

The Company's expenses are related to the level of activity of the Company. Consequently, relative levels of expenditures may not be predictable, and observable trends may not be meaningful.

During the third quarter ended August 31, 2006, the Company originally reported a gain relating to the sale of La Parilla based on a market value of \$4.50 per share assigned to the shares of the purchaser received as consideration at the time of issuance. The market price at the date of the agreement was \$2.15 per share. The completion of the sale required regulatory approval and a legal transfer of title from the underlying property owner through the option held by the Company. The title transfer and approval took several months and in the intervening period the market value of the purchaser's shares increased significantly. In the fourth quarter, the Company completed the sale of the marketable securities received. Upon year end review it was determined that, notwithstanding the legal requirements for regulatory approval and title transfer prior to the issuance of any shares, for accounting purposes the agreement date should be the relevant date for measuring the value to be assigned to the sale of property interest and for the assigned cost of the securities. Accordingly, the accounting treatment has been revised in the restated third quarter statements and the year end financial statements to report a gain on the sale of the property of \$389,267 in the third quarter and a gain on the sale of the marketable securities of \$349,921 for the fourth quarter. This was a measurement adjustment that impacted revenue recognition between the third and fourth quarters and does not constitute a change in accounting policy.

FINANCIAL SUMMARY

For the year ended November 30, 2006, the Company had a loss of \$590,916 (\$0.02 per share) including the gain on the La Parilla sale and the gain on the sale of marketable securities. Excluding these gains, the Company incurred a loss of \$1,445,733. This compares to a loss for the year ended November 30, 2005, of \$1,001,851 or \$0.04 per share.

Costs for the year, net of interest income and gains on the disposal of properties and marketable securities, were \$377,214 higher compared to the last fiscal year due to increased activity in a number of areas. While the expenses in most categories were comparable to those of the prior year, additional expenses were incurred in the areas of:

- accounting and audit fees of \$71,373 (2005 - \$49,395) due primarily to additional accounting and tax advice

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- director fees of \$94,500 (2005 - \$33,250) reflecting, as disclosed in the last quarterly report, the increased fees for increased board involvement in order to provide more expertise to the Company
- office expenses of \$167,850 (2005 - \$81,244) due to office moving expenses and an independent office rather than a shared facility
- regulatory filing fees of \$21,799 (2005 - 27,035) due to financing and other regulatory applications
- stock-based compensation of \$578,145 (2005 - \$327,847) due to the grant of additional stock options during the year
- travel expense of \$111,052 (2005 - \$27,258) due to increased travel to investment conferences, shareholder meetings and for the purposes of completing the May 19, 2006 financing

Reduced expenses were incurred with respect to 2006 management fees and salaries which were \$170,550 (2005 - \$298,991). The reduction in expense in 2006 reflects a new management structure.

During the year, Minera Montana received IVA refunds for a total of Mexican Pesos 4,504,266 (approximately \$463,804). These amounts have or will be used for exploration expenditures on the Company's mineral property interests.

CAPITAL RESOURCES AND LIQUIDITY

As at November 30, 2006, the Company's working capital was \$5,982,996 which included \$5,971,675 in cash and cash equivalents. Management is of the opinion that these financial resources are sufficient in order to fund the Company's ongoing level of corporate activities, mineral exploration, and required property commitments for the next twelve months. The Company's cash requirements are not exact projections and may change due to future circumstances. In the event of any changes the Company may require additional funding above current estimates. As a mineral exploration company, the Company is reliant upon equity financings to fund its exploration activities. However, there can be no assurance that debt facilities or additional equity financings will be available when required or at terms that are favourable to the Company.

OFF-BALANCE-SHEET ARRANGEMENTS

As at November 30, 2006 and as of the date of this report, the Company had no off-balance-sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Funds for the budgeted mineral property exploration program in Mexico were advanced to Minera Montana, a company controlled by a director and officer of the Company.

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Minera Montana was contracted to provide and manage the exploration programs conducted in Mexico. Amounts paid to third parties by Minera Montana were reimbursed at cost. Charges for equipment rentals and drilling services provided by a company controlled by one director were charged at market rates.

At November 30, 2006, the Company had advanced approximately \$390,000 to Minera Montana for future exploration expenditures.

On November 30, 2003, the Company entered into an agreement for the provision of management and geological consulting fees from a company controlled by an officer and director for compensation of US\$9,000 per month. On May 31, 2005, that compensation was reduced to US\$5,400 per month due to the financial position of the Company. On May 11, 2006, the contract was amended to the original terms of US\$9,000 per month.

On November 16, 2005, 765,000 stock purchase options that had been granted to certain officers and directors were repriced to \$0.52 per share from exercise prices ranging between \$0.80 and \$1.02 per share. Repricing of the stock purchase options was approved by the shareholders at the Annual General Meeting on May 11, 2006.

On May 11, 2006, shareholders approved the Company's Incentive Share Option Plan ("the Plan"). The Company subsequently granted 775,000 share purchase options under the Plan to directors and an officer of the Company. The options are exercisable at a price of \$0.89 per share for a period of five years.

ACTUAL AND PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates mineral properties for either acquisition or disposal. As of the date of this report, the sale of La Parilla has been completed and the sale of Mezquetal was completed as a subsequent event to year end.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

During the year ended November 30, 2006 and as of the date of this report, the Company has not instituted any change in its accounting policies.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, amounts receivable, accounts payable, and amounts due to related parties. The fair value of these instruments approximates their carrying value due to their short-term maturity.

Cash equivalents include money-market-based investments and term deposits where maturity is less than 90 days or that may be liquidated at the Company's option without significant penalty. The Company is not exposed to significant credit or interest rate risk.

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INCENTIVE SHARE OPTION PLAN

On May 11, 2006, shareholders approved the Company's Incentive Share Option Plan. Under the Plan, in compliance with the rules of the TSX Venture Exchange, the Company may grant share purchase options up to 10% of the issued and outstanding common shares or such greater number as may be approved from time to time by the shareholders of the Company.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at November 30, 2006, the Company had 36,882,325 common shares issued and outstanding. There are no other classes of shares authorized to be issued. As of the date of this report, the Company had 37,082,325 shares outstanding due to the exercise of 200,000 share purchase options by former officers and consultants of the Company subsequent to the year end.

As at November 30, 2006, the Company had 2,325,000 share purchase options outstanding at various exercise prices and maturing at various future dates. As of the date of this report, 2,125,000 share purchase options were outstanding.

As at November 30, 2006 and as of the date of this report, the Company had 5,401,667 share purchase warrants outstanding. As at November 30, 2006, 735,000 warrants were exercisable at a price of \$0.65 until March 20, 2007, and 4,666,667 warrants were exercisable at \$0.95 until November 19, 2007. Subsequent to year end the Company has made application to the TSX Venture Exchange to extend the warrants expiring March 20, 2007, for an additional three months.

On a fully diluted basis, if all of these options and warrants were exercised, a total of 44,608,992 shares would be issued and outstanding.

INVESTOR RELATIONS

The Company engages the services of independent consultants to provide investor relations services as required and appropriate.

RISKS AND UNCERTAINTIES

By its very nature, the business of mineral exploration and extraction involves a high degree of risk. The Company competes with other mining enterprises, some of which have greater financial resources, for the acquisition of mineral concessions. The Company is at risk to fluctuations in precious metal prices, the interest of investors and the availability of contractors. These factors impact upon the Company's ability to finance its programs and to carry on operations.

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Mineral development involves a high degree of risk as very few properties warrant the considerable expenditures required to initially substantiate their reserves and then to develop them into production. Consequently, very few properties are ever developed into producing mines. At present, none of the Company's properties has a known body of commercial ore and the Company has no mineral reserves. However, a NI 43-101 compliant Technical Report prepared by Wardrop Engineering Inc. and released by the Company in April 2006 identified an Inferred Mineral Resource of 50.8 million ounces of silver in 22.6 million tonnes grading 69.8 grams per tonne of silver-equivalent at Tejaman.

A subsequent 43-101 compliant technical report, prepared by Snowden Mining Industry Consultants and released by the Company in October 2006, concluded that the project could support a 10,000 tonne per day, heap-leach and open-pit mining operations with a net present value of US\$58.6 million at a silver price of US\$10.00 per ounce and US\$97.4 million at a silver price of US\$12.00 per ounce.

The Company requires additional approvals from both local and federal government authorities to continue its drilling programs. Accordingly, there are potential future political and legal risk implications should the project advance to a commercial production stage.

The development of Tejaman may eventually require that the village of Tejaman be moved in accordance with Mexican law. While there are a number of precedents for such a move, the cost and timing of a move are not determinable at this time. The Company believes that it may be feasible to delay the move of the village by commencing production in the larger mineralized zone south of the village.

The Company's mineral properties are all located in Mexico. As a result, the Company is subject to geographical and political risks including currency fluctuations, possible political and economic instability and logistical issues. The mineral exploration activities expose the Company to potential environmental liabilities relating to the reclamation of property in accordance with Mexican laws and regulations.

There is no guarantee that title to the properties in which the Company has an interest will not be challenged. These mineral interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. As of the effective date, management is not aware of any impediment to the Company's rights to the ownership to these properties.

The recoverability of amounts capitalized for the Company's properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange economically appropriate financing to complete the development of its properties, relevant metal prices, sufficient global and regional demand, and future profitable production.

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FORWARD-LOOKING STATEMENTS AND ESTIMATES

Certain statements made herein, other than those statements of historical fact, may constitute forward-looking statements. These include, but are not limited to, statements respecting anticipated business activities, planned expenditures, corporate strategies, investigation and acquisition of new projects. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Forward-looking statements are based on the beliefs, opinions and estimates of management at the date the statements are made, and these by their inherent nature entail various risks, uncertainties and other unknown factors. Consequently, there can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading Risk Factors elsewhere in this MD&A. Therefore, the reader is cautioned not to place undue reliance on forward-looking statements. Further, the Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, future events, or otherwise except as may be required under applicable securities legislation.

This MD&A contains references to estimates of mineral resources. By its very nature, the estimation of resources is uncertain and involves subjective judgments about many factors. The accuracy of any such estimates is a function of the quality and quantity of available data, the assumptions made and of the judgments used in the engineering and geological interpretations, all of which may ultimately prove to be unreliable. There can be no assurance that these estimates will be accurate or that such mineral resources can be mined and/or processed profitably. Mineral resources that do not meet the strict definition for mineral reserves do not have any demonstrated economic viability.

DISCLAIMER

The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning the Company. This information should be considered with all of the disclosure documents of the Company. The information contained herein is not a substitute for a detailed investigation or an analysis of any issue related to the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.

CORPORATE DISCLOSURE PRACTICES AND POLICIES

The Company maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors has the responsibility to understand the principal risks of the business of the Company and to confirm that there are systems in place that effectively monitor and

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manage those risks with a view to the long-term viability of the Company. The Chair of the Board is an unrelated outside director. Committees of the Board presently consist of an Audit Committee, a Compensation and Nominating Committee and a Corporate Governance Committee. The Audit Committee consists of three unrelated outside directors. The role of the Audit Committee is to review the Company's financial statements and the financial disclosure that is publicly disseminated, to review the systems of internal controls, and to monitor the performance and the independence of the Company's external auditors. The Compensation and Nominating Committee consists of three unrelated outside directors and one related director. The role of the Compensation and Nominating Committee is to recommend levels of executive compensation and to identify and to recommend to the Board the new director nominees at each annual meeting of the shareholders. The Corporate Governance Committee consists of three unrelated outside directors. The role of the Corporate Governance Committee is to monitor the effectiveness of the Board of Directors and of the Board Committees.

The Company and its management have designed and have in place disclosure controls and procedures that it believes are necessary to provide reasonable assurance that material information has been made available to management in preparation of its annual filings. In addition, management has determined that such controls and procedures are working effectively.

During the year, the Company strengthened its management team with the employment of a new chief executive officer and a new chief financial officer. With these appointments, a corporate governance model was implemented and an enhanced control environment was introduced, including a quality assurance/quality control system for exploration programs.

Other than the above enhancements, there have been no changes in the issuer's internal controls with respect to financial reporting during the period.

OTHER INFORMATION

The Company's web site address is <http://www.oremex.com>. Other information relating to the Company can be found on SEDAR at <http://www.sedar.com>. The Company is listed on the TSX Venture Exchange with the trading symbol **ORM**.

AUTHORITY

On February 28, 2007, the Audit Committee and the Board of Directors of the Company approved the audited financial statements of the Company for the year ended November 30, 2006 and the disclosure contained within this MD&A.