

OREMEX RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

OREMEX RESOURCES INC.

**FINANCIAL STATEMENTS
(Unaudited)**

FOR THE THREE MONTH PERIOD ENDED

FEBRUARY 28, 2006

OREMEX RESOURCES INC.

BALANCE SHEETS

	February 28, 2006 (unaudited)	November 30, 2005 (audited)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 398,865	\$ 1,103,925
Amounts receivable	9,986	9,746
Prepaid expenses	59,741	16,272
	468,592	1,129,943
Equipment (Note 3)	43,581	35,906
Mineral Property Interests (Note 4 and Schedule)	7,199,729	6,672,677
	\$ 7,711,902	\$ 7,838,526

LIABILITIES

Current		
Accounts payable and accrued liabilities (Note 8)	\$ 100,745	\$ 83,837

SHAREHOLDERS' EQUITY

Share Capital (Note 5)	9,430,048	9,430,048
Contributed Surplus (Note 6)	1,900,972	1,833,086
Deficit	(3,719,863)	(3,508,445)
	7,611,157	7,754,689
	\$ 7,711,902	\$ 7,838,526

RELATED PARTY TRANSACTIONS (Note 8)
COMMITMENTS (Note 9)
CONTINGENCIES (Note 12)

On behalf of the Board:

"Iain F. MacPhail"

Director

Iain F. MacPhail

"Ross O. Glanville"

Director

Ross O. Glanville

See Accompanying Notes

OREMEX RESOURCES INC.

STATEMENTS OF OPERATIONS AND DEFICIT

(unaudited)

	Three Month Period Ended Feb. 28, 2006	Three Month Period Ended Feb. 28, 2005
ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 14,288	\$ 20,000
Administration	10,813	13,271
Amortization	2,716	1,856
Consulting fees	32,288	92,076
Director fees	18,000	6,000
Insurance	4,408	-
Legal	14,145	22,645
Office expenses	12,070	4,392
Regulatory and filing fees	5,514	13,137
Rent	5,850	5,535
Shareholder communications	26,630	25,397
Stock-based compensation (Note 6)	67,886	21,134
	214,608	225,443
OTHER INCOME		
Interest income	2,953	12,323
Foreign exchange gain	237	212
	3,190	12,535
LOSS FOR THE PERIOD	(211,418)	(212,908)
DEFICIT, beginning of the period	(3,508,445)	(2,496,594)
DEFICIT, end of the period	\$ (3,719,863)	\$ (2,709,502)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING – basic and diluted		
	27,098,992	25,578,992

See Accompanying Notes

OREMEX RESOURCES INC.

STATEMENTS OF CASH FLOWS

(unaudited)

	Three Month Period Ended Feb. 28, 2006	Three Month Period Ended Feb. 28, 2005
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Loss for the period	\$ (211,418)	\$ (212,908)
Items not affecting cash:		
Amortization		
Stock-based compensation	67,886	21,134
	(140,816)	(189,918)
Changes in non-cash operating accounts:		
Amounts receivable	(240)	1,150
Accounts payable and accrued liabilities	16,908	(17,710)
Prepaid expenses	(43,469)	(10,680)
Net cash used in operating activities	(167,617)	(217,158)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral interest acquisition costs	(264,693)	(163,450)
Exploration of mineral property interests	(262,359)	(778,392)
Purchase of equipment	(10,391)	-
Net cash used in investing activities	(537,443)	(941,842)
Decrease in cash and cash equivalents	(705,060)	(1,159,000)
Cash and cash equivalents, beginning of period	1,103,925	3,440,381
Cash and cash equivalents, end of period	\$ 398,865	\$ 2,301,381

SUPPLEMENTARY CASH FLOW INFORMATION (Note 10)

See Accompanying Notes

OREMEX RESOURCES INC.

SCHEDULE OF MINERAL PROPERTY INTERESTS

	For the Three Month Period Ended February 28, 2006 (unaudited)				Nov. 30, 2005 (audited)
	Tejamen	San Lucas	Other	Total	Total
Acquisition costs					
Balance, beginning of period	\$ 1,126,877	\$ 317,869	\$ 222,674	\$ 1,667,420	\$ 1,164,217
Incurred during period:					
- property option payments	203,744	19,326	41,623	264,693	463,611
- property tax payments	-	-	-	-	39,592
Balance, end of period	1,330,621	337,195	264,297	1,932,113	1,667,420
Exploration expenditures					
Incurred during period:					
Assaying	32,621	-	-	32,621	292,268
Camp costs & field supplies	41,403	-	-	41,403	156,033
Drilling	-	-	-	-	712,464
Exploration advances (Note 12)	53,471	-	-	53,471	191,154
Geological consulting	61,750	1,935	1,638	65,323	316,561
Geological report	9,003	-	-	9,003	-
Labour	18,085	-	-	18,085	153,183
Reports and maps	46	-	-	46	3,552
Transportation	38,036	2,623	1,748	42,407	82,335
	254,415	4,558	3,386	262,359	1,907,550
Balance, beginning of period	4,393,412	547,419	64,426	5,005,257	3,097,707
Balance, end of period	4,647,827	551,977	67,812	5,267,616	5,005,257
Total mineral property interests	\$ 5,978,448	\$ 889,172	\$ 332,109	\$ 7,199,729	\$ 6,672,677

(See Notes 4 and 8)

See Accompanying Notes

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

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 or probable reserves and on the basis of information to date, has not yet determined whether these properties 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 these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its properties, securing of underlying title on optioned properties and upon future profitable production.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and the liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern (and the ability to meet mineral property option commitments) is dependent upon the Company's continued ability to finance expenditures, raise capital and achieve profitable operations. Failure to continue as a going concern may require the Company's assets and liabilities to be restated on a liquidation basis which could differ significantly from the going concern basis.

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 interests in its 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 of 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 costs are capitalized, or where indicated, charged to operations as impairment charges.

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

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

a) Mineral property interests (continued)

Capitalized exploration costs as reported on the balance sheet represent costs incurred to date or estimated recoverable amounts if lower than cost. Ultimate recovery of the carrying amounts is dependant upon future commercial success or proceeds from disposition of the mineral interests.

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.

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 equipment	20% declining balance
Site vehicle	30% declining balance
Software	100% declining balance
Leasehold improvements	straight-line over 5 years

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 fair value determinations through management's estimate of recoverable value.

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 assets, mineral property interests carrying values, useful lives for depreciation and amortization, determination of fair value for stock based transactions 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.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

e) Basic and diluted loss per share

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 the 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 periods presented.

f) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable, and amounts due to related parties. The fair value of these instruments approximate their carrying value due to their short-term maturity. The fair value of amounts due to related parties is not determinable as the amounts do not have any repayment terms.

The Company does not have any derivative instruments.

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

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 environmental issues as well as fluctuations in commodity pricing and foreign currency exchange rates. The Company has not used forward or hedging contracts for foreign currency risk.

Mineral exploration activities expose the Company to a potential environmental liability for reclamation of property in accordance with laws 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 is not exposed to significant credit or interest rate risk although cash and cash equivalents are held in excess of federally insured limits with major financial institutions.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES - CONT'D

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 guidance 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 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 benefit amount as criteria set out in the guidance 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.

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 non-monetary items. Income statement items are translated at actual rates or average rates prevailing during the period.

Realized gains and losses from foreign currency transactions 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. There are no asset retirement obligations recorded in these financial statements. Any future retirement costs will be recognized on a systematic basis when determinable and quantifiable.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

3. EQUIPMENT

	Three Month Period Ended February 28, 2006 (Unaudited)			For the Year Ended Nov. 30, 2005 (audited)
	\$			\$
	Cost	Accumulated Amortization	Net	Net
Computer equipment	17,726	5,311	12,415	13,421
Leasehold improvements	2,500	63	2,437	-
Office furniture and equipment	21,308	3,156	18,152	11,537
Software	1,052	602	450	-
Site vehicles	18,400	8,273	10,127	10,948
	<u>60,986</u>	<u>17,405</u>	<u>43,581</u>	<u>35,906</u>

4. MINERAL PROPERTY INTERESTS

The Company initially agreed to acquire the Tejaman 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 execution 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 issue 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 deal 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. 3,500,000 common shares issued on the exercise of the Series A Special Warrants are subject to escrow restrictions (Note 5).

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 to be formed which will be a wholly-owned subsidiary of the Company.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

4. MINERAL PROPERTY INTERESTS – CONT'D

Minera Montana has agreed to acquire the mineral exploration concessions under an Option agreement with the underlying property owner, dated July 20, 2000, 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, of which US\$840,000 has been paid to February 28, 2006, on a tax free basis. The remaining cash payments to Jarvis are due as follows:

July 20, 2006	US \$360,000
January 20, 2007	US \$420,000
July 20, 2007	US \$498,000

Payment on a “tax free basis” means that Minera Montana is also obligated to pay the Mexican IVA tax and the Mexican ISR tax on behalf of Jarvis. The above payments schedule is inclusive of this tax liability. Minera Montana has the right to terminate the Jarvis Option 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 (See Note 9(f)). Additional mineral concessions included in the balance of the Tejaman Silver Property and the San Lucas Silver Property 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. In 2005, the Company made payments of Mexican Pesos (“MP”) \$335,595 (Cdn \$39,252). The minimum annual exploration work that is required to maintain the mineral concessions under option, is approximately MP\$475,000 (Cdn \$53,000).

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

5. SHARE CAPITAL

Authorized: Unlimited number of common shares, without par value

Issued and outstanding common shares:

	Three Month Period Ended February 28, 2006 (unaudited)		Year Ended November 30, 2005 (audited)	
	Number	Amount	Number	Amount
Balance, beginning of period	27,098,992	\$ 9,430,048	25,578,992	\$ 8,665,735
Shares issued:				
Options exercised (i)	-	-	50,000	36,313
Private placement – units (ii)	-	-	1,470,000	764,400
Share issue costs	-	-	-	(36,400)
Balance, end of period	27,098,992	\$ 9,430,048	27,098,992	\$ 9,430,048

- i. During the year ended November 30, 2005, the Company received \$25,000 from the exercise of 50,000 stock options at a price of \$0.50 per share. These stock options had a previously determined fair value of \$11,313, which has been allocated from contributed surplus to share capital and is included above.
- ii. 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 \$728,000. 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 an additional 70,000 units as a finders' fee in connection with the financing.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

5. SHARE CAPITAL – CONT'D

Share purchase options

In April 2004, the Company adopted a 10% rolling share option plan whereby options granted 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. February 28, 2006, the following share purchase options were outstanding:

	Granted			Vested	
	Number Of Options	Weighted Average Exercise Price (\$)	Weighted Average number of Periods to expiry	Number Outstanding	Weighted Average Exercise Price (\$)
Balance, beginning of period	1,675,000	0.69	3.61	1,675,000	0.69
Granted	225,000	0.57	5.00	225,000	0.57
Balance, end of period	<u>1,900,000</u>	<u>0.68</u>	<u>3.53</u>	<u>1,900,000</u>	<u>0.68</u>

Option expiry dates are as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry</u>
660,000	\$0.50	November 18, 2008
300,000	\$0.89	November 19, 2008
150,000	\$1.02	December 15, 2009
125,000	\$1.02	January 25, 2010
190,000	\$0.80	May 31, 2010
200,000	\$0.52	September 21, 2010
50,000	\$0.52	November 23, 2010
<u>225,000</u>	<u>\$0.57</u>	<u>December 20, 2010</u>
<u>1,900,000</u>		

Subject to shareholder approval, 765,000 options held by directors, officers, and consultants, with exercise prices between \$0.80 and \$1.02, are to be repriced to \$0.52 per share. (Note 6)

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

5. SHARE CAPITAL - CONT'D

Share purchase warrants

For the period ending February 28, 2006, share purchase warrants were outstanding as follows:

	Number Of Warrants	Weighted Average Exercise Price (\$)	Weighted Average number of Periods to expiry
Balance, beginning of period	735,000	0.65	1.33
Issued	-	-	-
Expired	-	-	-
Balance, end of period	<u>735,000</u>	<u>0.65</u>	<u>1.05</u>

Escrow shares

As at February 28, 2006, 1,980,000 (2005 – 3,960,000) shares were held in escrow subject to trading restrictions.

Release Date	<u>Number of shares</u>
May 18, 2006	990,000
November 18, 2006	<u>990,000</u>
	<u>1,980,000</u>

6. CONTRIBUTED SURPLUS AND STOCK-BASED TRANSACTIONS

During the period, the Company executed a number of 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 period	<u>1,833,086</u>	<u>1,516,552</u>
Fair value of stock options granted and vested	<u>67,886</u>	<u>21,134</u>
Balance, end of period	<u>1,900,972</u>	<u>1,537,686</u>

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

6. CONTRIBUTED SURPLUS AND STOCK-BASED TRANSACTIONS

Stock-based transactions

Stock-based compensation expensed during the period has been recorded as follows:

	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>
Fair value of 225,000 stock options granted and vested	67,886	21,134

Option 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. 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:

	<u>2006</u>	<u>2005</u>
Risk free interest rate	3.80%	3.75%
Volatility	89%	85%
Expected life of options	2.5 yrs	1.17 yrs
Dividend rate	0%	0%

On December 20, 2005, the Company granted 225,000 stock options to a director and officer with an exercise price of \$0.57 per share option. The stock options vested upon grant. Management has estimated the fair value of the stock options to be approximately \$61,501.

During the prior fiscal 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 is subject to shareholder approval. As the improvement has not vested with the option holders, no additional compensation has been recorded in these accounts related to the repricing. 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. The fair value increase will be recorded as additional stock based compensation in the period shareholder approval is received.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

7. INCOME TAXES

The Company has non-capital losses available for income tax purposes totaling approximately \$2,411,000, which may be carried forward to reduce future period's taxable income. These losses will expire at different stages up to and including 2016:

<u>Period of expiry</u>	<u>Non-Capital Loss</u> <u>\$</u>
2006	49,000
2007	30,000
2008	4,000
2009	15,000
2010	217,000
2014	1,078,000
2015	807,000
2016	<u>211,000</u>
	<u>2,411,000</u>

	February 28, 2006 (Unaudited) \$	November 30, 2005 (audited) \$
Potential future income tax assets:		
Non-capital loss carry forwards	<u>2,411,000</u>	<u>2,200,000</u>
Potential tax recovery at substantially enacted rates of 34.1% (2005 - 35.0%):	822,151	770,000
Valuation allowance (100%)	<u>(822,151)</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 \$6,792,000 (2005 - \$4,800,000) available to it at the end of the period. The 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 THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

8. RELATED PARTY TRANSACTIONS

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

	2006	2005
	<u>\$</u>	<u>\$</u>
Stock based compensation (Note 6)	61,501	17,867
Consulting fees (Note 9)	11,000	56,075
Deferred mineral property exploration:		
Drilling payments (i)	-	345,281
Geological consulting, field supplies, transportation and labour (i)	205,307	103,331
Acquisition payments, and assays (i)	294,314	252,268
Geological consulting, travel, and field supplies (ii)	<u>24,431</u>	<u>39,308</u>
	<u>599,553</u>	<u>814,130</u>

On November 16, 2005, the Company passed a resolution to compensate committee members. Director compensation totaled \$11,000 (2005 – \$7,000).

- i) Funds for the budgeted mineral property exploration program in Mexico were advanced to Minera Montana S. de R.L. de C.V. (“Minera Montana”), a company controlled by a director and officer of the Company. Minera Montana was 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 were reimbursed at cost. Charges paid by Minera Montana for equipment rentals and drilling services that were provided by a company controlled by two directors of Oremex were charged at market rates.
- ii) Amounts paid or payable to a U.S. corporation controlled by a director and officer of the Company relating to the property exploration programs, primarily the Tejamen project (see Schedule of Mineral Property Interests). Management and geological consulting fees of US\$5,400 per month were charged for site and project management. The travel amount includes reimbursement charges for the use of a private plane piloted by the director.

Included in accounts payable and accrued liabilities at February 28, 2006, is \$21,382 (2005 - \$5,604) due to a company controlled by a director and \$1,154 (2005 – \$nil) due to a company with a common director.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

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 subsequently amended to US\$5,400 per month. On November 16, 2005, this contract was renewed for a further six months.
- 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 subsequently amended to \$4,673 per month. On November 16, 2005, a decision was made to allow the contract to lapse effective 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 subsequently amended to \$4,673 per month. On November 16, 2005, a decision was made to allow the contract to lapse effective November 30, 2005.
- d) On November 30, 2003, the Company retained the services of a chief geologist principally for its Mexican exploration programs. The agreement provides for compensation of US\$6,000 per month over the initial term of one period and renewed until rescinded. The contract with the geologist has since been amended; his services have been retained as a consultant without fixed remuneration.
- e) On May 31, 2005, the Company entered into an agreement for the provision of management services. Compensation under the agreement is \$5,000 per month for an initial term of three months and renewed quarterly until rescinded. On November 16, 2005, this contract was renewed for a further eighteen months.
- f) The Company has committed, in a letter agreement with First Majestic Resource Corp. ("Majestic"), to sell its interest in two mining claims, referred to as "La Parilla", located in the state of Durango, Mexico. The terms of the agreement require Majestic to pay \$40,000 and issue 200,000 common shares of Majestic to obtain a 100% interest in these claims.

The carrying value of the La Parilla claim group at period end is \$28,425 (2005 - \$17,833).

As at the date of these financial statements, the shares and funds are held in escrow, pending the legal transfer of registered title of the mineral property interests to Majestic.

- g) On December 20, 2005 the Company entered into an agreement for the provision of management services. Compensation under the agreement is \$5,500 per month. The management services agreement was cancelled February 15, 2006. Accompanying the agreement, 225,000 share purchase options were granted to a director that are exercisable at a price of \$0.57 per share for a period of up to five periods.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

10. SUPPLEMENTARY CASH FLOW INFORMATION

Significant non-cash transactions:

The Company paid no interest or income taxes during the periods presented.

11. SEGMENTED INFORMATION

The company operates in a single industry segment. At period end, assets by geographic location are as follows:

	February 28, 2006 (unaudited) \$	November 30, 2005 (audited) \$
Mexico	7,199,729	6,672,677
Canada	512,173	1,165,849
	<u>7,711,902</u>	<u>7,838,526</u>

12. CONTINGENCIES

In the normal course of conducting the exploration programs in Mexico the Company provides funding to Minera Montana (Note 8) as advances against costs and charges. By agreement Minera Montana is to apply for recovery of IVA (value added) taxes that it pays in Mexico. Upon recovery the amount of the IVA is to be credited to Oremex against future exploration expenditures.

As at the report date Minera Montana is in the process of filing its IVA claims. As at period end, the amount of the claim is estimated by management at up to \$520,000. This amount is reflected as exploration advances in the Company's mineral property interests (See schedule).

As there is uncertainty over the amount that is recoverable, the estimate has not been recorded as a prepaid amount or an amount receivable.

Once quantified and recovery is reasonably assured such amount will be credited against exploration costs. Management is not able at this time to determine the actual recoverable amount or the outcome of this claim.

OREMEX RESOURCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Three Month Periods Ended February 28, 2006 and 2005

(unaudited)

13. SUBSEQUENT EVENTS

- i) On April 11, 2006, the Company announced it will proceed with a private placement consisting of up to 5,333,333 units at \$0.75 per unit for gross proceeds of approximately \$4 million. The Company has also agreed to grant an over-allotment option for up to an additional 1,333,333 units at \$.075 per unit for gross proceeds of an additional \$1 million.

Each unit will consist of one common share and one-half of one share purchase warrant. One whole warrant will entitle the holder to purchase one additional common share for a period of 18 months at a price of \$0.95 per warrant 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 15 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 Company agreed to pay an 8% finders fee in connection with the private placement. If all of the units are sold, including the over-allotment option, the net proceeds to be realized by the company from the private placement will be approximately \$4.6 million.

- ii) On April 17, 2006, the Company announced that it will proceed with an additional private placement consisting of up to 1,250,000 units ("Units") at CDN\$0.80 per Unit for gross proceeds of up to CDN\$1,000,000.

Each unit consists of one common share and one-half of one share purchase warrant (a "Unit"). One whole warrant will entitle the holder to purchase one additional common share for a period of 18 months at a price of CDN\$1.00 per warrant 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 CDN\$2.00 or higher for fifteen (15) 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 Company has agreed to pay an 8% finders fee in connection with the private placement. If all of the Units are sold the net proceeds to be realized by the Company from the private placement will be approximately CDN\$920,000.

- iii) On April 26, 2006, the Company announced that it will proceed with a private placement consisting of up to 9,333,333 units ("Units") at CDN\$0.75 per Unit for gross proceeds of approximately CDN\$7,000,000. This financing replaces the two private placements announced on April 11, 2006 and April 17, 2006. In this financing one whole warrant will entitle the holder to purchase one additional common share at a price of CDN\$0.95 per warrant share. Further, the acceleration provision has been increased from fifteen (15) to twenty (20) days. All other terms and conditions described under the terms of the first two financings remain the same for this financing. The securities to be issued under this offering shall be subject to a four-month hold period, and the offering is subject to the acceptance of the TSX Venture Exchange.

The securities to be issued under these offerings shall be subject to a four-month hold period, and the offerings are subject to the acceptance of the TSX Venture Exchange.

OREMEX RESOURCES INC.
Management's Discussion & Analysis
For the First Quarter Ended February 28, 2006

EFFECTIVE DATE

This Management's Discussion and Analysis ("MDA") is an overview of the activities of Oremex Resources Inc. ("the Company") for the three month period (quarter) ended February 28, 2006 and incorporates certain information from the prior three fiscal years. The MDA should be read in conjunction with the Company's audited financial statements and related notes 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 April 27, 2006.

FORWARD LOOKING STATEMENTS

This MDA contains certain information that may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. 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. 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.

OVERALL PERFORMANCE

The Company is an active exploration and development company with its prime focus on the acquisition and development of metaliferous mineral deposits in Mexico. The Company's immediate focus is the exploration and development of its silver and other resources at its properties located in the States of Durango, Sinaloa, Sonora and Zacatecas, Mexico

Since November, 2003 the Company has made significant progress towards the stated goals. Through an agreement with Minera Montana S. de R.L. de C.V. ("Montana"), Oremex 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 one property in the State of Sinaloa and one property in the State of Sonora.

During the quarter, the Company's strategic focus was upon four initiatives:

1. In January, 2006 the Company engaged Wardrop Engineering Inc. (Wardrop) to complete a Technical Report in the format set out in National Instrument (NI) 43-101 on the Company's Tejamen property. The Wardrop report is based upon 217 rotary percussion reverse circulation drill holes (36,000 meters of drilling). The results of the Wardrop report were released on April 10, 2006 and are discussed below.

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2. In January, 2006 the Company commenced the process of securing additional funding. On April 27, 2006 the Company announced a private placements. The funds will be used primarily for further in-fill, expansion and diamond drilling work and a feasibility study on the Tejamen property, for further drilling and related exploration work on the San Lucas property and for property acquisitions in Mexico.
3. The Company continued with the metallurgical testing on samples from the Tejamen property. The latest results which indicated very good expected recoveries were reported on March 21, 2006.
4. In order to accommodate the demands of growth, the Company moved to larger self- contained accommodations on February 28, 2006. The new premises are located at #1001, 1030 West Georgia Street, Vancouver B.C., V6E 2Y3. The telephone remains the same at 604 – 683 – 5651. The fax number is changed to 604 – 630 – 0141.

RESULTS OF OPERATIONS

TEJAMEN, DURANGO

Tejamen is the Company's most advanced project. This property is located about 140 km by road northwest of Durango, the capital of the State of Durango. It consists of 22 claims covering approximately 1,682 hectares. Access is via 125 kilometers of paved highway from Durango to Nuevo Ideal and via 15 kilometers 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 a total of 217 reverse circulation drill holes totaling approximately 36,000 meters on this project. The Wardrop report shows that "Inferred Mineral Resources" amount to 22.6 million tonnes at a grade of 66.9 gpt silver and 0.05 gpt gold . Contained ounces for the deposits were calculated to be just over 50 million ounces of silver equivalent (about 97% of the contained metal value is silver). A cutoff grade of 20 gpt (0.64 opt) silver equivalent was used for this calculation.

Six samples have been compiled and submitted for metallurgical testing by McClelland Labs Inc. of Sparks, Nevada. The selected samples represent a composite of test material along with a sample of one of the higher-grade drill holes.

The high-grade sample indicates 72% extraction after 130 days of leaching while the composite sample indicates a 63% extraction rate after 86 over a shorter period of leaching. Since extraction rates for both test columns demonstrate the same leaching rate over comparable time periods it is expected that all metallurgical recoveries will approximate 70%. Silver extraction is continuing for both columns. These results are considered excellent for silver because of the kinetics of silver leaching (News release dated September 20, 2005).

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The Company is extremely pleased with these results since the testing indicates the material is amenable to normal processing using heap leaching technology. The reagent consumption is low and there is no indication of any deleterious compounds in the ore material.

It is expected that the next phase of testing will be the collection of larger samples of "fresh" material. This will be done via a diamond drilling program or through access to underground areas where newly mined material can be obtained.

SAN LUCAS, DURANGO

San Lucas is located about 86 kilometers north of the city of Durango, in the municipality of San Juan del Rio. It consists of 18 claims totaling approximately 1,033 hectares. Access is via paved highway to San Lucas.

San Lucas consists of a northeast trending mineralized shear zone traceable along strike for about 2,000 meters in volcanic rocks. During the fiscal year 2005 the Company drilled 19 reverse circulation drill holes totaling approximately 3,000 meters along and across the mineralized zone. These drill holes were spaced approximately 100 meters apart along the northeast striking structure. The results from this program indicate a large disseminated zinc, lead, silver and gold system. The mineralization is traced along a strike length of about 1,700 meters with widths up to 70 meters. The mineralization is open along strike and to depth. A surface mapping and sampling program has been conducted to delineate areas for further drilling. A second phase of drilling will be conducted to expand this preliminary data.

LA PARILLA, DURANGO

The Company holds two claims in the La Parilla District. La Parilla is located 52 kilometers east-southeast of the city of Durango, in the Municipality of Nombre de Dios. These claims total approximately 25 hectares. The Company has not performed any field work at La Parilla during this quarter.

The Company was approached by First Majestic Resource Corp. ("Majestic") regarding the purchase of both of the La Parilla claims. During the third quarter, the Company reached an agreement for sale and the transaction was approved by the TSX-Venture Exchange subject to the required Mexican registration of title. As of April 27, 2006 registration has not been completed. It is now anticipated that this registration will be completed by May, 2006. The terms of the agreement require Majestic to pay \$40,000 and issue 200,000 common shares of Majestic to obtain a 100% interest in these claims. The carrying value of the La Parilla claim group at the end of fiscal 2005 was \$23,731 (2004 - \$15,373). The Company anticipates realizing a gain from this sale of approximately \$850,000 based upon the closing price of Majestic at the date of this report. The actual gain to be realized will be determined upon completion of this transaction.

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EL SOL, DURANGO

The Company holds one claim in this area. The property is located 73 kilometers northeast of the city of Durango, in the Municipality of Guadalupe, Victoria. The claim amounts to approximately 63 hectares. The company has not performed any field work at El Sol during this quarter. This is a high grade silver-lead-zinc system that has seen production in the past.

MEZQUITAL, DURANGO

The Company holds three claims in the Mezquital District. Mezquital is located 63 kilometers southeast of the city of Durango, in the Municipality of Mezquital. The claims total approximately 142 hectares. The Company has not performed any field work at Mezquital during this quarter.

CHALCHIHUITES, ZACATECAS

The Company holds four claims of approximately 48 hectares in the northern portion of the Chalchihuites, Zacatecas District. Chalchihuites is located 100 kilometers southeast of the City of Durango and 100 kilometers northwest of Fresnillo, Zacatecas. The Company has not performed any field work at Chalchihuites during this quarter. This property which is 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-zinc.

MACO, SINALOA

The Maco claim is located near San Blas, Sinaloa. The claim covers a large area of prospective gold/copper porphyry mineralization and is comprised of a total of 5,000 hectares. During this quarter, rock chip sampling of a copper-stained cliff was undertaken. The results are pending.

NAVIDAD, SONORA

The Navidad claim is located in the Municipality of Cucurpe, Sonora in northern Mexico. Prior information indicates the area is prospective for disseminated gold. The claim is in the area of the Santa Gertrudis heap-leach operation that was once operated by Campbell Resources Inc. The Company is conducting preliminary surface work and is in contact with other claim owners in the area regarding possible joint ventures.

FINANCIAL SUMMARY

For the three months ended February 28, 2006 the Company incurred a loss of \$211,000 or \$0.01 per share. This compares to a loss for the three months ended February 28, 2005, of \$213,000 or \$0.01 per share. Administrative expenses, exclusive of the non cash stock based compensation component, have declined by \$58,000 in a period to period comparison. The previously reported cost reduction initiatives that the Company undertook during the 2005 fiscal year are the primary reason for the decreased loss in this period to period comparison.

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With respect to specific expense categories in the first quarter of the 2006 fiscal year when compared to the first quarter of the 2005 fiscal year, accounting and legal expenses have decreased as the result of decreased regulatory and compliance costs generally. Consulting expenses have declined by \$60,000. This reduction is a direct result of the Company reducing consulting fees paid to management effective June 1, 2005 on the recommendations of the Company's Nominating and Compensation Committee. Management is now in the process of implementing the Committee's recommendations for the future management and administrative requirements of the company. In a period over period comparison Director fees increased as the board was expanded in order to provide more expertise to the company and essential board committees were constituted. The Company incurred both office insurance and Director and Officer's Liability insurance costs during this quarter. The Company had no similar coverage in the previous comparable quarter. Office expenses increased as the result of both moving to new premises and the reproduction of materials required for the new financings. Regulatory and filing fees declined in 2006 when compared to 2005. In 2005 the Company initiated several regulatory applications in order to attract a wider shareholder base. Non cash stock-based compensation expenses increased by \$47,000 when compared to the comparable period. This is the result of granting more vested options to consultants, directors, management and officers in this quarter of 2006 than in the comparable previous quarter. Interest income for this quarter has declined by \$9,000 from 2005. During the first quarter of 2005 the surplus cash balances were higher and the interest earned was correspondingly higher.

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SELECTED ANNUAL INFORMATION

On July 31, 2003 the Company changed its name from Blackhorn Gold Mines Ltd. to Oremex Resources Inc. The following selected financial information is taken from the audited annual financial statements of Oremex for 2005, 2004 and 2003. 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.

Selected Financial Information (Audited)	Nov. 30, 2005	Nov. 30, 2004	Nov. 30, 2003
a) Total Revenues	Nil	Nil	Nil
b) Loss before discontinued operations and extraordinary items	\$(1,012,000)	\$(998,000)	\$(933,000)
c) Basic and diluted loss per share	\$(0.04)	\$(0.05)	\$(0.26)
d) Net loss for the year	\$(1,012,000)	\$(998,000)	\$(933,000)
e) Basic and diluted loss per-share	\$(0.04)	\$(0.05)	\$(0.26)
f) Total assets	\$7,839,000	\$7,756,000	\$3,863,000
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 evolution of the Company from acquiring the mineral properties and going public in fiscal 2003 through to the sustaining of two years of exploration work, primarily on the Tejamen property, to February 28, 2006. There have been no revenues from operations to the date of this report. The increase of total assets year over year reflects the increasing capitalization of the exploration program costs which were partially offset by the declining cash balances used to fund this program.

OREMEX RESOURCES INC.
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SUMMARY OF QUARTERLY RESULTS

The Company is a mineral exploration company. It has no revenues from its operations and no ongoing mining operations. In order to sustain the exploration programs, the Company raises capital primarily through the sale of common shares. Minor amounts of interest income are generated from the investment of surplus cash reserves. The effect of applying the treasury stock method to the Company's loss per share calculations is anti-dilutive. Therefore, basic and diluted losses per share are equal for the quarters presented.

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	Loss per share
	(Unaudited)	(Unaudited)	(Basic and fully diluted) (Unaudited)
Feb. 28, 2006	Nil	\$211,000	\$0.01
Nov. 30, 2005	Nil	\$298,000	\$0.01
Aug. 31, 2005	Nil	\$256,000	\$0.01
June 30, 2005	Nil	\$245,000	\$0.01
Feb. 28, 2005	Nil	\$213,000	\$0.01
Nov. 30, 2004	Nil	\$234,000	\$0.01
Aug. 31, 2004	Nil	\$186,000	\$0.01
June 30, 2004	Nil	\$380,000	\$0.02

The amount of the Company's administrative expenses is related to the level of financing and exploration programs that are undertaken. The magnitude of these expenses is a direct function of general financial market conditions as well as recent exploration achievements and prospects. Consequently, relative levels of expenditures may not be predictable, and observable trends may not be meaningful.

The losses are caused by the commencement and continuation of the exploration programs with no related revenues. The loss in the second quarter of 2004 was the result of launching a substantial investor relations program combined with expenses related to two private placements in that quarter.

CAPITAL RESOURCES AND LIQUIDITY

As at February 28, 2006 the Company's working capital was \$368,000 of which included \$399,000 in cash and cash equivalents. Management is of the opinion that the Company needs further financial resources in order to fund its ongoing level of corporate activities, mineral exploration and required resource property commitments for the next twelve

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months. Consequently and subsequent to February 28, 2006, the Company effected a private placement. Please refer below to "Subsequent Events". The Company's cash needs are not exact projections and may change due to future circumstances. For example, the exploration program may change due to the receipt of positive results or the Company may acquire additional properties. In the event of any changes the Company would require additional funding above current estimates. As a mineral exploration company, the Company is reliant upon equity financings to fund its exploration activities. While it has been successful in the past, there is no assurance that the Company will be successful in obtaining future financings.

OFF-BALANCE SHEET ARRANGEMENTS

As at February 28, 2006 and up to 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 S. de R.L. de C.V. ("Montana"), a company controlled by a director and officer of the Company. Montana was contracted to provide and manage the exploration programs conducted in Mexico. Amounts paid to third parties by Montana were reimbursed at cost. Charges for equipment rentals and drilling services provided by a company controlled by two directors were charged at current market rates.

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. Compensation under the agreement was US\$9,000 per month. On May 31, 2005 this contract was modified to an amount of US\$5,400 per month. On November 16, 2005, this contract was renewed for a further six months.

During the year, 625,000 stock purchase options were granted to certain officers and directors of the Company at prices ranging from \$0.52 to \$1.02 per share. 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. The repricing of these options is subject to shareholder approval.

ACTUAL AND PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates mineral properties for potential acquisitions or disposals which, in some instances, result in proposals being made to the Board. The only transaction is the previously mentioned sale of the two La Parrilla claims that has not been finalized. As of the date of this report there were no further pending transactions.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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During the quarter ended February 28, 2006, and subsequent up to 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. The fair value of amounts due to related parties is not determinable as the amounts do not have any repayment terms.

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.

OUTSTANDING SHARE DATA

The Company has authorized an unlimited number of common shares, without par value. As at February 28, 2006 the Company had 27,098,992 common shares issued and outstanding (refer to Note 11 of the financial statements). There are no other classes of shares. As of the date of this report, the Company had 27,123,992 shares outstanding and the Company had 1,875,000 share purchase options outstanding at various exercise prices and future dates. As at February 28, 2006 and to the date of this report, the Company had 735,000 share purchase warrants outstanding with each warrant exercisable at \$0.65 per share for 18 months (Refer to Note: 5 of the financial statements). If all of these options and warrants were exercised, a total of 29,733,992 shares would be issued and outstanding. Refer also to the section entitled "Subsequent Events" below.

INVESTOR RELATIONS

The Company does not currently engage the services of any individuals to provide investor relations services. It is management's intention to engage professional advisors to assist with investor relations once the financings are completed. Refer to "Subsequent Events" below.

SUBSEQUENT EVENTS

- i) On April 11, 2006, the Company announced it will proceed with a private placement consisting of up to 5,333,333 units at \$0.75 per unit for gross proceeds of approximately \$4-million. The Company has also agreed to grant an over-allotment option for up to an additional 1,333,333 units at \$0.75 or \$1-million.

Each unit will consist of one common share and one-half of one share purchase warrant. One whole warrant will entitle the holder to purchase one additional common share for a period of 18 months at a price of \$0.95 per warrant share, subject

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to an acceleration provision such that if, at any time following 4 months after the closing of the financing, the closing price per share on the TSX Venture Exchange is \$2.00 or higher for 15 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 Company has agreed to pay an 8% finders fee in connection with the private placement. If all of the units are sold, including the over-allotment option, the net proceeds to be realized by the company from the private placement will be approximately \$4.6 million.

- ii) On April 17, 2006, the Company announced that it will proceed with an additional private placement consisting of up to 1,250,000 units ("Units") at CDN\$0.80 per Unit for gross proceeds of up to CDN\$1,000,000.

Each unit consists of one common share and one-half of one share purchase warrant (a "Unit"). One whole warrant will entitle the holder to purchase one additional common share for a period of 18 months at a price of CDN\$1.00 per warrant share, subject to an acceleration provision such that if, at any time following 4 months after the closing of the financing, the closing price per share on the TSX Venture Exchange is CDN\$2.00 or higher for 15 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 Company has agreed to pay an 8% finders fee in connection with the private placement. If all of the Units are sold the net proceeds to be realized by the Company from the private placement will be approximately CDN\$920,000.

- iii) On April 26, 2006, the Company announced that it will proceed with a private placement consisting of up to 9,333,333 units ("Units") at CDN\$0.75 per Unit for gross proceeds of approximately CDN\$7,000,000. This financing replaces the two private placements announced on April 11, 2006 and April 17, 2006. In this financing one whole warrant will entitle the holder to purchase one additional common share at a price of CDN\$0.95 per warrant share. Further, the acceleration provision has been increased from 15 to 20 days. All other terms and conditions described under the terms of the first two financings remain the same for this financing. The securities to be issued under this offering shall be subject to a four-month hold period, and the offering is subject to the acceptance of the TSX Venture Exchange.

RISKS AND UNCERTAINTIES

By its very nature, mineral exploration 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 variations in

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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.

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.

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.

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 appropriate financing to complete the development of its properties, clarification of underlying title and upon future profitable production.

DISCLAIMER

The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning Oremex Resources Inc. 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. The Company will be filing the Wardrop report on SEDAR. .

CORPORATE DISCLOSURES

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 manage those risks with a view to the long-term viability of the Company. Committees of the Board presently consist of an Audit Committee and a Compensation and Nominating Committee. The Audit Committee consists of two unrelated, outside directors and one related director. The role of the audit committee is to review the Company's financial statements and financial disclosure that is publicly disseminated, to review the systems of internal controls, and to monitor the performance and independence of the Company's external auditors. The Compensation and Nominating Committee consists of three unrelated outside directors. The role of the Compensation and Nominating Committee is to recommend levels of executive compensation and to

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identify and recommend to the Board the new director nominees at each annual meeting of the shareholders.

OTHER INFORMATION

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