

**OREMEX RESOURCES INC.**

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**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 SIX MONTH PERIOD ENDED  
MAY 31, 2007**

**OREMEX RESOURCES INC.**  
BALANCE SHEETS

	May 31, 2007 (Unaudited)	Nov. 30, 2006 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,137,875	\$ 5,971,675
Marketable securities (Note 4)	399,249	-
Amounts receivable	42,763	9,669
Prepaid expenses	48,405	55,022
	3,628,292	6,036,366
<b>Equipment</b> (Note 5)	41,816	46,005
<b>Lease Receivable</b> (Note 6)	218,256	-
<b>Mineral Property Interests</b> (Note 7 and Schedule)	10,343,561	8,399,115
	\$ 14,231,925	\$ 14,481,486

**LIABILITIES**

**Current**

Accounts payable and accrued liabilities	\$ 55,595	\$ 53,370
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**SHAREHOLDERS' EQUITY**

<b>Share Capital</b> (Note 8)	16,514,504	16,314,805
<b>Contributed Surplus</b> (Note 9)	2,240,813	2,212,672
<b>Deficit</b>	(4,578,987)	(4,099,361)
	14,176,330	14,428,116
	\$ 14,231,925	\$ 14,481,486

**RELATED PARTY TRANSACTIONS** (Note 10)

**On behalf of the Board:**

Signed: "Ross O. Glanville"

Signed: "Iain F. MacPhail"

See Accompanying Notes

**OREMEX RESOURCES INC.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited)

	Three month period ended		Six month period ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
<b>ADMINISTRATIVE EXPENSES</b>				
Accounting and audit	\$ 10,000	\$ 16,000	\$ 17,550	\$ 30,288
Administration & office	34,129	31,657	62,715	54,812
Amortization	3,272	2,079	6,619	4,795
Director and committee fees	35,000	24,500	65,000	42,500
Insurance	4,970	5,024	9,877	9,432
Investor relations contracts	11,250	-	11,250	2,083
Legal	7,140	13,319	19,379	27,463
Management fees & salaries	82,676	31,327	178,031	63,615
Regulatory & filing fees	6,352	6,623	12,763	12,138
Rent	8,035	12,641	17,590	18,491
Shareholder relations	81,727	19,923	156,067	29,820
Stock-based compensation (Note 9)	117,789	383,950	124,760	451,836
Travel, promotion & entertainment	42,211	31,640	76,292	46,018
	444,551	578,683	757,893	793,291
<b>OTHER INCOME</b>				
Interest income	36,641	7,811	88,832	10,764
Loss on disposal of assets	-	(9,235)	(1,736)	(9,235)
Loss on sale of property	-	-	(30,082)	-
Foreign exchange loss	(2,180)	(502)	(2,271)	(265)
	34,461	(1,926)	54,743	1,264
<b>LOSS FROM OPERATIONS</b>	(410,090)	(580,609)	(703,150)	(792,027)
Unrealized gain on marketable securities held for sale (Note 4)	26,242	-	243,964	-
Unrealized foreign exchange loss on drill rig lease	(20,440)	-	(20,440)	-
	5,802	-	223,524	-
<b>COMPREHENSIVE LOSS</b>	(404,288)	(580,609)	(479,626)	(792,027)
<b>DEFICIT, beginning of the period</b>	(4,174,699)	(3,719,863)	4,099,361	(3,508,445)
<b>DEFICIT, end of the period</b>	\$ (4,578,987)	\$ (4,300,472)	\$ (4,578,987)	\$ (4,300,472)
<b>BASIC AND DILUTED LOSS PER SHARE</b>	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING basic and diluted</b>	37,082,325	28,327,525	37,017,050	27,720,008

See Accompanying Notes

**OREMEX RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three month period ended		Six month period ended	
	May 31, 2007	May 31, 2006	May 31, 2007	May 31, 2006
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (404,288)	\$ (580,609)	\$ (479,626)	\$ (792,027)
Items not affecting cash:				
Amortization	3,272	2,079	6,619	4,795
Loss on disposal of assets	-	9,235	1,736	9,235
Loss on sale of property	-	-	30,082	-
Unrealized gain on marketable securities held for sale	(26,243)	-	(243,965)	-
Unrealized foreign exchange loss on drill rig lease	20,440	-	20,440	-
Stock-based compensation	117,789	383,950	124,761	451,836
	115,258	(185,345)	(60,327)	(326,161)
Changes in non-cash operating accounts:				
Amounts receivable	(11,293)	(47,310)	(33,094)	(47,550)
Accounts payable and accrued liabilities	(45,601)	(2,034)	2,224	14,874
Prepaid expenses	(16,029)	27,518	4,117	(15,951)
<b>Net cash used in operating activities</b>	<b>(361,953)</b>	<b>(207,171)</b>	<b>(566,706)</b>	<b>(374,788)</b>
<b>INVESTING ACTIVITIES</b>				
Mineral property interest acquisition costs	(278,890)	(20,764)	(1,364,656)	(285,457)
Exploration of mineral property interests	(494,098)	(209,179)	(762,656)	(471,538)
Proceeds from sale of equipment	-	7,868	2,000	7,868
Purchase of drill rig for lease	-	-	(285,570)	-
Fair value recovery	20,898	-	46,874	-
Purchase of equipment	(6,013)	(17,657)	(6,166)	(28,048)
<b>Net cash used in investing activities</b>	<b>(758,103)</b>	<b>(239,732)</b>	<b>(2,370,174)</b>	<b>(777,175)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from private placement, net	-	6,441,448	-	6,441,448
Proceeds from options exercised	-	12,500	103,000	12,500
Share issuance costs	-	-	80	-
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>6,453,948</b>	<b>103,080</b>	<b>6,453,948</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,120,056)</b>	<b>6,007,045</b>	<b>(2,833,800)</b>	<b>5,301,985</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>4,257,931</b>	<b>398,865</b>	<b>5,971,675</b>	<b>1,103,925</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 3,137,875</b>	<b>\$ 6,405,910</b>	<b>\$ 3,137,875</b>	<b>\$ 6,405,910</b>
<b>Cash and cash equivalents consist of:</b>				
Cash	\$ 31,499	\$ 6,225,910	\$ 31,499	\$ 6,225,910
Guaranteed investment certificates	3,106,376	180,000	3,106,376	180,000
	\$ 3,137,875	\$ 6,405,910	\$ 3,137,875	\$ 6,405,910

**SUPPLEMENTARY CASH FLOW INFORMATION** (Note 11)

See Accompanying Notes

**OREMEX RESOURCES INC.**  
**SCHEDULE OF MINERAL PROPERTY INTERESTS**

(Note 7)

	For the six month period ended May 31, 2007 (unaudited)				For the year ended Nov. 30, 2006 (audited)
	Tejamen	San Lucas	Other	Total	Total
Acquisition costs					
Balance, beginning of period	\$ 1,562,755	\$ 436,028	\$ 274,805	\$ 2,273,588	\$ 1,667,420
Incurred during year:					
Property option payments	1,161,540	12,227	69,907	1,243,673	599,060
Property tax payments	114,340	1,204	7,439	122,983	74,307
Cost of property sold	-	-	(145,593)	(145,593)	(67,199)
Balance, end of period	<u>\$ 2,838,635</u>	<u>\$ 449,459</u>	<u>\$ 206,558</u>	<u>\$ 3,494,651</u>	<u>\$ 2,273,588</u>
Exploration expenditures					
Balance, beginning of period	\$ 5,506,691	\$ 553,164	\$ 65,672	\$ 6,125,527	\$ 5,005,257
Incurred during the year:					
Administration	54,090	49,255	-	103,346	123,611
Assaying	18,899	139,188	-	158,087	53,007
Field office and supplies	61,113	46,152	-	107,265	127,752
Drilling	-	676,883	-	676,883	414,386
Exploration advances	(80,775)	(140,450)	-	(221,225)	390,023
IVA exploration credit	(192,743)	(62,702)	-	(255,445)	(463,804)
Geological consulting	43,218	46,318	-	89,537	336,591
Geological survey	-	2,489	-	2,489	
Labour	19,514	11,722	-	31,237	72,778
Reports and maps	478	-	-	478	16,958
Transportation	35,962	32,044	-	68,006	56,503
Cost recovered on property sale	-	-	(37,273)	(37,273)	(7,535)
	<u>(102,946)</u>	<u>863,602</u>	<u>(37,273)</u>	<u>723,383</u>	<u>1,120,270</u>
Balance, end of the period	<u>\$ 5,403,745</u>	<u>\$ 1,416,766</u>	<u>\$ 28,399</u>	<u>\$ 6,848,910</u>	<u>\$ 6,125,527</u>
Total mineral property interests	<u>\$ 8,242,380</u>	<u>\$ 1,866,225</u>	<u>\$ 234,956</u>	<u>\$ 10,343,561</u>	<u>\$ 8,399,115</u>

See Accompanying Notes

# **OREMEX RESOURCES INC.**

## **NOTES TO FINANCIAL STATEMENTS**

Six months ended May 31, 2007

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### **1. NATURE OF OPERATION**

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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.

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### **2. BASIS OF PRESENTATION**

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The unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the presentation of the Company's audited annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended November 30, 2006, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These interim financial statements reflect all normally and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

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### **3. CHANGE IN ACCOUNTING POLICY – FINANCIAL INSTRUMENTS**

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In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, Financial Instruments – Recognition and Measurement, and 1530, Comprehensive Income. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. Accordingly, comparative amounts for prior periods are not restated. The Company has adopted these new standards effective December 1, 2006.

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

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### 3. CHANGE IN ACCOUNTING POLICY – FINANCIAL INSTRUMENTS – CONT'D

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a) Financial instruments – recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets be measured at fair value subsequent to initial recognition.
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method.

b) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income, including unrealized gains and losses on available-for-sale investments.

c) Impact upon adoption of Sections 3855 and 1530

The Company has recorded the following transactions resulting from the adoption of Sections 1530 and 3855:

- \$26,242 was recorded in the three months ended May 31, 2007 (six months - \$243,964) in respect of the unrealized gain on marketable securities held for sale.

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### 4. MARKETABLE SECURITIES

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Marketable securities are carried at fair value. At May 31, 2007, the Company held 650,000 shares, and 75,000 share purchase warrants of Canasil Resources Inc. acquired pursuant to a property sale. Each share purchase warrant is exercisable until January 24, 2008 at a price of \$0.50 per common share.

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

### 5. EQUIPMENT

	Six months ended May 31, 2007		Year ended November 30, 2006	
	\$		\$	
	Cost	Accumulated Amortization	Net	Net
Computer equipment	24,276	8,340	15,936	18,593
Leasehold improvements	4,165	798	3,367	2,473
Office furniture and equipment	16,521	2,958	13,563	14,072
Software	7,620	5,227	2,393	3,203
Site vehicles	18,400	11,843	6,557	7,664
	<u>70,981</u>	<u>29,166</u>	<u>41,816</u>	<u>46,005</u>

### 6. LEASE RECEIVABLE

On December 21, 2006, the Company purchased a drill rig at a cost of US\$247,000 (CDN\$285,570). Concurrently, the Company entered into an agreement with Tiger Drilling ("Tiger"), a related party, to operate and maintain the rig.

Under Canadian GAAP the agreement constitutes a financial instrument, and the drill rig is presented in these financial statements as a lease receivable. US\$150,000 (approximately CDN\$173,423) is to be recovered at a rate of US\$15 (approximately CDN\$17.34) per metre drilled. The agreement provides Tiger with the opportunity to purchase the rig for US\$97,000 after the completion of a minimum of ten thousand metres of drilling. The purchase price may be reduced should the drilling program be extended.

As at May 31, 2007, the lease receivable is \$218,256:

Original purchase price	\$ 285,570
Recovery at US \$15/metre	<u>(46,874)</u>
	238,696
Adjustment to fair market value based on foreign exchange loss	<u>(20,440)</u>
	<u>\$ 218,256</u>

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

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### 7. MINERAL PROPERTY INTERESTS

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The Company initially agreed to acquire options for the Tejaman Silver Property, the San Lucas 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 R.L. 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.

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. Oremex provided notice on March 22 that it has fulfilled the terms of the option agreement.

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). All payments under the Jarvis Agreement, plus an adjustment to compensate the underlying owners for any directly related taxes, have been made.

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 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. The La Parilla Property, one of the mineral properties included in the initial agreement, was sold during 2006. 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. The minimum annual exploration work that is required to maintain the mineral concessions under option is approximately \$49,685 (MP\$475,000).

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 on December 8, 2006 (see Schedule). Regulatory approval was received on January 25, 2007.

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

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### 7. MINERAL PROPERTY INTERESTS – CONT'D

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During 2006, 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 Company's programs by prior agreement have been treated as a credit towards the Company's future exploration of the mineral interests. 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. Additional IVA claims of approximately \$89,574 (MP\$866,036) have been filed in the quarter, and are reflected in the financial statements as an IVA exploration credit during the period.

On April 3, 2007, the Company announced that an agreement had been negotiated with the Ejido at San Lucas, which provides surface rights to 50 hectares for the purposes of exploration, development and mining for a 30 year term. The lease provides for annual payments of approximately \$2,000 (MP\$20,000).

On May 11, 2007, the Company announced it had acquired the Santa Catarina massive sulphide gold property near the village of Santa Catarina in Sinaloa State, Mexico. The property was acquired for a purchase price of MP \$200,000 (CDN \$21,000) and back taxes of MP \$25,000 (CDN \$2,625).

In the three months ended May 31, 2007, advances of \$721,040 (six months - \$2,009,603) were made to Minera Montana for property payments and exploration expenditures. Funds advanced but not yet expended decreased by \$246,689 in the quarter and by \$170,349 in the six months.

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### 8. SHARE CAPITAL

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#### a) Common Shares

Authorized:

Unlimited number of common shares, without par value

Issued and outstanding common shares:

	Six month period ended May 31, 2007 (unaudited)		Year ended Nov. 30, 2006 (audited)	
	Number	Amount	Number	Amount
Balance, beginning of period	36,882,325	\$ 16,314,805	27,098,992	\$ 9,430,048
Shares issued:				
Options exercised	200,000	212,930	-	-
Options exercised	-	-	450,000	443,309
Private placement - Shares	-	-	9,333,333	5,997,393
- Warrants	-	-	-	1,002,607
Share issue costs	-	80	-	(558,552)
Transfer to contributed surplus upon expiry of warrants	-	(13,310)	-	-
Balance, end of period	37,082,325	\$ 16,514,505	36,882,325	\$ 16,314,805

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

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### 8. SHARE CAPITAL – CONT'D

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- i. During the three months ended May 31, 2007, 35,000 warrants expired, each of which had entitled the holder to purchase one common share at a price of \$0.65. These warrants had a previously determined fair value of \$0.38 per warrant, accordingly \$13,310 has been allocated from share capital to contributed surplus.
- ii. During the three months ended February 28, 2007, the Company received \$103,000 from the exercise of 200,000 stock options at prices ranging from \$0.50 to \$0.52 per share. These stock options had a previously determined fair value of \$0.61 per option, accordingly \$109,930 has been allocated from contributed surplus to share capital.
- iii. During the year ended November 30, 2006, 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, accordingly \$198,559 has been allocated from contributed surplus to share capital.
- iv. 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.

b) Share Purchase Options (Note 13b)

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 3, 2007, the plan was updated and re-approved.

## OREMEX RESOURCES INC.

### NOTES TO FINANCIAL STATEMENTS Six months ended May 31, 2007

#### 8. SHARE CAPITAL – CONT'D

For the period ended May 31, 2007, 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, 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 and expired	(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
Exercised	(200,000)	0.52	0.01	(200,000)	0.01
Cancelled and expired	(100,000)	0.89	-	(100,000)	-
Balance, February 28, 2007	2,025,000	0.66	3.50	2,025,000	0.66
Granted	600,000	0.55	4.92	300,000	0.54
Balance, May 31, 2007	2,625,000	0.64	3.63	2,325,000	0.65

Option expiry dates are as follows:

Number	Exercise Price	Expiry
385,000	\$ 0.50	November 18, 2008
150,000	0.52	December 15, 2008
125,000	0.52	January 25, 2010
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
250,000	0.60	July 17, 2011
50,000	0.73	August 21, 2011
100,000	0.70	August 31, 2011
150,000	0.56	April 21, 2012
300,000	0.54	May 3, 2012
150,000	0.56	May 8, 2012
2,625,000		

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS Six months ended May 31, 2007

### 8. SHARE CAPITAL – CONT'D

#### 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, 2005	735,000	0.65	1.33
Issued	4,666,667	0.95	0.97
Balance, November 30, 2006	5,401,667	0.91	1.33
Issued/Expired	0	0.00	0.00
Balance, February 28, 2007	5,401,667	0.91	0.88
Expired	(35,000)	0.65	-
Balance, May 31, 2007	5,366,667	0.91	0.47

On March 21, 2007, 35,000 warrants that were issued as part of the September 2005 private placement expired.

On February 14, 2007, the expiry date of 700,000 warrants that were issued as part of the September 2005 private placement was extended by three months from March 21, 2007 to June 21, 2007. ( See Subsequent Events, Note 13).

The warrant expiry dates are as follows:

Number	Price	Expiry Date
700,000	0.65	June 21, 2007
4,666,667	0.95	November 19, 2007
5,366,667		

**OREMEX RESOURCES INC.**

NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

**9. CONTRIBUTED SURPLUS AND STOCK-BASED TRANSACTIONS**

During the period, the Company entered into certain transactions pursuant to the granting of stock options. The Company recorded contributed surplus arising from stock-based compensation related to these transactions as follows:

a) Contributed surplus

	Six months ended May 31, 2007 \$	Year ended November 30, 2006 \$
Balance, beginning of the period	2,212,672	1,833,086
Transfer of share capital upon exercise of stock options	(109,930)	(198,559)
Fair value of warrant extension	6,972	-
Fair value adjustment upon repricing of options	-	63,209
Fair value of stock options granted and vested	117,789	514,936
Transfer of share capital upon expiry of warrants	13,310	
Balance, end of the period	2,240,813	2,212,672

For the three months ended May 31, 2007, the Company recorded stock-based compensation expense of \$117,789 with respect to grants of stock options which vested during the period. 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:

	2007	2006
Risk free interest rate	4.2%	3.80–4.20%
Volatility	55-95%	85–89%
Expected life of options	5 yrs	2.5 yrs
Dividend rate	0%	0%

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

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### 10. RELATED PARTY TRANSACTIONS

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During the six month period ended May 31, 2007, the Company incurred the following amounts in transactions with directors and companies with common directors:

	Six months ended May 31, 2007 \$	Six months ended May 31, 2006 \$
Stock-based compensation	117,789	390,714
Directors fees (a)	65,000	42,500
Deferred mineral property expenditures (b)	747,614	367,644
Acquisition payments (c)	1,364,656	328,714
Geological consulting, travel and field supplies (d and e)	104,644	61,032
	<u>2,399,703</u>	<u>1,190,604</u>

- a) On November 16, 2005, the Company passed a resolution to compensate directors and committee members. The resolution was updated on May 3, 2007. Director compensation totaled \$65,000 for the six months ended May 31, 2007 (2006 - \$42,500).
- b) 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 (see Note 7).
- c) Amounts are paid or payable to Minera Montana relating to property acquisition costs. Amounts paid to third parties by Minera Montana are reimbursed at cost (see Schedule of Mineral Property Interests).
- d) 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.
- e) The travel amount includes reimbursement charges for the use of a private plane owned and piloted by a director and officer of the Company.

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

# OREMEX RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

Six months ended May 31, 2007

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### 11. SUPPLEMENTARY CASH FLOW INFORMATION

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The Company paid no interest or income taxes during the six months ended May 31, 2007.

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### 12. SEGMENTED INFORMATION

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

	Six months ended May 31, 2007 \$	Year ended November 30, 2006 \$
Mexico	10,343,561	8,399,115
Canada	3,888,364	6,082,371
	<u>14,231,925</u>	<u>14,481,486</u>

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### 13. SUBSEQUENT EVENTS

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Subsequent to the quarter end, 700,000 share purchase warrants that were issued pursuant to a private placement in September 2005 expired on June 21, 2007.

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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 three month period ended May 31, 2007, and incorporates certain information from the prior three fiscal years. This MD&A should be read in conjunction with the unaudited financial statements of the Company for the three months ended May 31, 2007, and the audited financial statements and the Management's Discussion and Analysis for the year ended November 30, 2006. These financial statements have been prepared in accordance with Canadian generally accepted accounting principals ("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 July 20, 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 deposits 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. Since then, the Company has acquired two properties in the State of Sinaloa and one additional property in the State of Sonora. The Company has also sold two properties from the original portfolio. Since November 2003, the Company has made significant progress in advancing development of its key asset, the Tejaman Silver Property ("Tejaman").

During the quarter, the Company:

- Retained Ing. Javier Rojas, as project development manager for the Tejaman Silver Project ("Tejaman").
- Continued discussions with the Ejido of Tejaman (governing authority for the village and surrounding lands) under the guidance of Ing. Rojas for the right to access the surface for expanded use (to include mining) and an extended term at Tejaman. Please see *Results of Operations* for more detail.
- Secured agreement with respect to long term access to surface rights at the San Lucas Property with the Ejido of San Lucas.
- Negotiated a long-term lease for the San Lucas Property with the local Ejido.
- Completed a 7,012 metre reverse circulation drill program in 47 holes, 2,000 metres more than the 5,000 metre budget, at the San Lucas Property. The program tested some extensions of mineralization defined in a 2005 drill program..

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- Announced the acquisition of the Santa Catarina massive sulphide property in the State of Sinaloa, Mexico.

## **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 by paved highway from Durango to Nuevo Ideal, and by 15 kilometres of good gravel road from Nuevo Ideal to Tejamen.

#### *Background*

From December 2003 to November 2005, the Company completed 217 reverse circulation drill holes totaling approximately 36,000 metres. In 2006, the Company completed 1,500 metres of diamond drilling to provide samples for metallurgical and rock mechanics testing as well as to further delineate the resource.

In April 2006, the Company released results of a NI 43-101 compliant Technical Report prepared by Wardrop Engineering Inc. (the "Wardrop Report"). The Wardrop Report, based on the 36,000 metres of reverse circulation 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.

Metallurgical testing in 2006 on a composite of test material indicated a silver recovery of 73 percent for two columns with modest lime and cyanide consumption.

The Company engaged Snowden Mining Industry Consultants ("Snowden") in 2006 to complete a NI 43-101 compliant Technical Report, an independent Preliminary Assessment Study ("PAS") on Tejamen. Utilizing the results of the Wardrop independent resource study, Snowden developed a base case mining scenario with 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 open pit mining project and heap-leach processing system could generate a 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.

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**NPV Sensitivity to Metal Value**

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

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Also in 2006, Call & Nicholas Inc. conducted a geotechnical review at Tejamen. Their findings with respect to rock strengths generally support the pit slope angles utilized by Snowden. The Company also adopted and implemented a quality assurance/quality control program in order to increase certainty regarding mineral resources.

During the first quarter of 2007, the Company substantially completed the duplicate assay program initiated under the quality assurance/quality control program for prior drilling.

The Company also initiated discussions with the Ejido of Tejamen (local governing authority of the community and surrounding lands) for expanded use of the surface for mining operations over an extended term. On February 26, 2007, the Company announced that the Ejido, by a narrow margin, elected not to renew the surface access permit for the Tejamen Silver Property. Discussions are ongoing.

The Company also completed the final buyout of the underlying owner for the mineral concessions in its property portfolio. There are no ongoing obligations or residual royalties payable to, or net profit interests retained by, the former owner of the mineral concessions.

*Second Quarter 2007*

During the quarter, the Company announced that it had appointed a new project development manager for Tejamen. In addition to completing a detailed assessment of project development requirements, he is continuing discussions with the Ejido on the Company's behalf and is making progress. Subsequent to the quarter, the Company indicated that it is confident that an agreement with the Ejido can be reached.

Subsequent to the quarter, the Company announced that management had completed an internal analysis based on data and cost estimates from the Snowden report that supports initial production from Los Mantos, the southern zone of mineralization, which would preclude the need to move the village of Tejamen in the near term. Disturbance to the village would be minimal under this plan of operations, and production could proceed for a minimum of four years.

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The Los Mantos Zone contains approximately 70 percent of the silver content defined to date on the property. It also offers significant exploration potential for the addition of silver resources on the property. Under the guidance of the project development manager, options for initial mining at Los Mantos with follow-up mining at the Cerro Prieto Zone are under consideration.

**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 and sedimentary rocks.

*Background*

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 disseminated silver-lead-zinc system. The mineralization is traced by drilling along a strike length of 1,700 metres. Surface mapping has traced the zone for over 4 kilometres and mineralization is open along strike and to depth.

During the first quarter of 2007, the Company initiated a 5,000 metre reverse circulation drilling program to test extensions down dip and along trend of mineralization.

*Second Quarter 2007*

In April, the Company announced that it had negotiated a long-term lease for the use of surface rights at San Lucas. In early May, the Company halted drilling operations at the San Lucas property due to budget concerns. Subsequent to terminating the program, it became apparent that over 7,012 metres had been drilled. Subsequent to the quarter, the Company released highlights of 37 of 47 holes drilled on the property as follows:

<b>Drill Hole</b>	<b>Interval (metres)</b>	<b>Metres (ft)</b>	<b>Ag (grams per tonne)</b>	<b>Ag (ounces per ton)</b>	<b>Zn (%)</b>	<b>Pb (%)</b>
<b>SL-34</b>	12	90-102	71	2.3	0.2	0.1
	4	126-130	35	1.1	-	-
<b>SL-35</b>	4	60-64	116	3.7	0.6	0.6
	12	130-142	145	4.7	0.4	0.4
<b>SL-44</b>	8	68-76	36	1.2	0.1	0.1
<b>SL-46</b>	14	92-106	158	5.1	0.7	0.4
Incl.	4	96-100	456	14.6	0.9	0.8
	8	154-162	290	9.3	0.4	0.3
Incl.	2	154-156	1857	59.6	>1.0	>1.0
<b>SL-48</b>	4	84-88	110	3.5	0.1	0.1

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Holes SL-34, 35, 44 and 46 define an apparent extension of the mineralized zone identified in the 2005 drill program. Hole 44 is located 1.6 kilometres northeast along trend from Hole SL-2 drilled at the northeastern limit of mineralization delineated in 2005. Holes SL-34, 35 and 46 are located 1.3 kilometres northeast of Hole SL-2 along the trace of the mineralized trend. The Company is completing a detailed assessment of results to date.

**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. The property, located on the northern end of the Chalchihuites silver producing district, is a veined mantos system that produced high grade silver, lead and zinc. The Company has not performed any field work on the property during the quarter.

**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 with high grade silver-lead-zinc system. The Company has not performed any field work on the property during the quarter.

**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. Results of a first quarter 2006 rock chip sampling of a copper-stained cliff are encouraging, and further work is planned for fiscal 2007. The Company has not performed any field work on the property during the quarter.

**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 but has not performed any field work on the property during the quarter.

**Santa Catarina Property, State of Sinaloa**

The Santa Catarina massive sulphide gold property is located near the village of Santa Catarina in Sinaloa State. The deposit (primarily pyrrhotite with minor chalcopyrite), carrying gold values that range from 6.8 to 17.1 grams per tonne gold across an apparent width of 20 metres. The property was acquired outright for a purchase price of MP \$200,000 (CDN \$21,000) and back taxes of MP \$25,000 (CDN \$2,625). The Company plans an initial program of line cutting, mapping, soil sampling and geophysics.

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*Internal Controls in Mexico*

In early May, the Company halted drilling operations on the San Lucas property when potential cost overruns were identified. Subsequent to the quarter end, upon receipt of more complete drilling and financial reports from Mexico, it became evident that the program had gone over budget as a result of excess drilling and substantially over budgeted cost due to both difficult drilling conditions and weaknesses in control over costs and procedures.

The Company considers this as a weakness in internal controls in Mexico, and has undertaken a series of actions to correct identified problems. The hiring of a project development manager for Tejaman has been implemented. The responsibilities of the project development manager have been expanded to include those of the former project manager for San Lucas has been implemented. In addition, the hiring of in-house accounting staff at the project office in the State of Durango will also ensure improved financial control. Further, a review of the contracts of all staff and contractors and of internal controls in Mexico is in progress.

Management expects to substantially complete most of these activities in the third quarter, with the balance to be completed by year end.

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**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 the same for the years presented.

**SELECTED ANNUAL FINANCIAL INFORMATION**

<b>(Audited)</b> <b>(Dollars expressed as \$thousands)</b>	<b>Nov 30, 2006</b>	<b>Nov. 30, 2005</b>	<b>Nov. 30, 2004</b>
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) 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 the sustaining years of exploration work, primarily on Tejamen. 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.

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**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.

<b>Period</b>	<b>Revenues</b>	<b>Loss (Income)</b>	<b>Loss (Income) per share</b>
May 31, 2007	Nil	\$ 404,000	\$ 0.010
Feb. 28, 2007	Nil	\$ 75,300	\$ 0.002
Nov. 30, 2006	Nil	\$ (98,000)	\$ (0.005)
Aug. 31, 2006	Nil	\$ (103,000)	\$ (0.005)
May 31, 2006	Nil	\$ 581,000	\$ 0.020
Feb. 28, 2006	Nil	\$ 211,000	\$ 0.008
Nov. 30, 2005	Nil	\$ 298,000	\$ 0.010
Aug. 31, 2005	Nil	\$ 256,000	\$ 0.010
May 31, 2005	Nil	\$ 245,000	\$ 0.009

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

**FINANCIAL SUMMARY**

For the three months ended May 31, 2007, the Company had a comprehensive loss of \$404,288 (\$0.010 per share). Excluding an unrealized gain of \$26,242 on marketable securities held for resale and an unrealized loss of \$20,440 on the US dollar denominated drill rig lease receivable, the Company had a loss of \$410,090 (\$0.010 per share). This compares to a loss for the comparable quarter ended May 31, 2006 of \$580,609 or \$0.020 per share.

In January 2005, the Canadian Institute of Chartered Accountants adopted Handbook sections relating to financial instruments and comprehensive income (see Note 3 of the financial statements), which were adopted by the Company when they came into effect for this fiscal year.

The principle effect of these rule changes on the Company is the requirement that marketable securities held for resale, such as those received from Canasil Resources Inc. in Q1 for the sale of the Mezquetal Property, are required to be revalued at their fair market value as of the date of the financial statements. Accordingly, the unrealized gain of \$26,242 (Q1 - \$217,722) on marketable securities held for resale at May 31, 2007 is reflected in comprehensive income. The Company will record additional gains or losses in future periods to reflect future changes in the fair market value of these securities.

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An additional effect of these rule changes is that other financial instruments, such as the US dollar denominated drill rig lease receivable, are required to be revalued based on currency fluctuations. Due to the decline in the value of the US dollar during the quarter an unrealized loss of \$20,440 (Q1 – nil) is recorded in the financial statements.

Overall expenses were lower during the quarter compared to the second quarter of 2006 due primarily to lower stock based compensation expense of \$117,789 (2006 - \$383,950) primarily due to the lower number of stock options issued.

Reduced expenses were also realized with respect to:

- accounting and audit fees of \$10,000 (2006 - \$16,000) primarily due to a reduction in actual and accrued auditing fees in the current quarter;
- legal fees of \$7,140 (2006 - \$13,319); and
- rent expense of \$8,035 (2006 - \$12,641).

Increased expenses were also incurred in the areas of:

- director fees of \$35,000 (2006 - \$24,500) due to fees implemented in fiscal 2006 to reflect increased board involvement in order to provide more expertise to the Company, and the net addition of a director during the quarter;
- investor relations expense of \$11,250 (2006 – nil) due to the retention of external IR consultants during the quarter;
- management fees and salaries of \$82,676 (2006 - \$31,327) reflecting the addition of management staff to meet the growing needs of the Company and to replace outside consulting services;
- travel, promotion and entertainment expense of \$42,211 (2006 - \$31,640) due to increased travel to investment conferences and shareholder meetings; and
- shareholder relations costs of \$81,727 (2006 - \$19,923) reflecting prepaid expenses for conferences and an investor relations trip to the United Kingdom and Europe.

Interest income of \$36,641 was received in the quarter (2006 - \$7,811) due to higher average balances of funds on hand compared with the previous period.

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**CAPITAL RESOURCES AND LIQUIDITY**

As at May 31, 2007, the Company's working capital was \$3,572,697 (2006 - \$6,396,718) which included \$3,137,875 in cash and cash equivalents (2006 - \$6,405,910). 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; however, management anticipates that additional funds will be raised prior to depleting the funds on hand. 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 May 31, 2007 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. 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.

During the quarter the Company advanced approximately \$721,000 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.

**ACTUAL AND PROPOSED TRANSACTIONS**

In the normal course of business, the Company evaluates mineral properties for either acquisition or disposal.

During the quarter, the Company announced the acquisition of the Santa Catarina massive sulphide gold property near the village of Santa Catarina in Sinaloa state.

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As of the date of this report, the sale of Mezquetal has received regulatory approval and the transfer of title is being processed.

**CHANGES IN ACCOUNTING POLICIES**

In January 2005, the Canadian Institute of Chartered Accountants issued Handbook Sections 3855, Financial Instruments – Recognition and Measurement, and 1530, Comprehensive Income. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. Accordingly, comparative amounts for prior periods are not restated. The Company has adopted these new standards effective December 1, 2006.

**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 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.

The agreement to purchase a drill rig announced during the first quarter of 2007 also included a separate buy-back provision for the operator, who is a related party. Under Canadian GAAP as a result of the buy-back provision, the rig is considered to be a financial instrument. The Company is effectively amortizing the cost of the rig, net of the expected buy back amount, over the life of the anticipated drill programs based on a per metre rate (see Note 6 of the financial statements).

**INCENTIVE SHARE OPTION PLAN**

On May 3, 2007, shareholders approved the renewal of the Company's Incentive Share Option Plan ("the 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.

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**OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value. As at May 31, 2007, the Company had 37,082,325 common shares issued and outstanding (see Note 8 of the financial statements). 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.

As at May 31, 2007 and as of the date of this report, the Company had 2,625,000 share purchase options outstanding at various exercise prices and maturing at various future dates.

During the quarter, 35,000 warrants which were exercisable at a price of \$0.65 until March 20, 2007 expired, leaving 700,000 warrants exercisable at a price of \$0.65 until June 21, 2007, and 4,666,667 warrants exercisable at \$0.95 until November 19, 2007. Subsequent to quarter end, the 700,000 warrants expired. As of the date of this report, the Company had 4,666,667 share purchase warrants outstanding.

As of the date of this report, on a fully diluted basis, if all options and warrants were exercised, a total of 44,373,992 shares would be issued and outstanding.

**INVESTOR RELATIONS**

During the quarter, the Company engaged the services of an independent consultant to provide investor relations services. As disclosed in the May 8, 2007 news release, compensation is \$3,750 per month for a term of 6 months. Options for 150,000 shares exercisable at \$0.56 per share were also issued with a 12 month quarterly vesting period.

**RISKS AND UNCERTAINTIES**

By its 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.

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

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silver in 22.6 million tonnes grading 69.8 grams per tonne of silver-equivalent at Tejaman.

A subsequent NI 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. While there are a number of precedents for such a move in accordance with Mexican law, 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.

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**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 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.

Pursuant to certification requirements for financial reporting, 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 quarterly filings. In addition, except as disclosed above in the discussion of the properties, management has determined that such controls and procedures are working effectively.

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 [www.oremex.com](http://www.oremex.com). Other information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The Company is listed on the TSX Venture Exchange with the trading symbol **ORM**.

**AUTHORITY**

On July 24, 2007 the Board of Directors of the Company approved the unaudited financial statements of the Company for the three months ended May 31, 2007 and the disclosure contained within this MD&A.