

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF

**OREMEX RESOURCES INC.**

FOR THE SIX MONTH PERIOD ENDED

MAY 31, 2008

**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.

Consolidated Balance Sheet

	May 31, 2008 (Unaudited)	November 30, 2007 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 542,178	\$ 1,974,744
Marketable securities (note 3)	144,240	203,486
Amounts receivable	140,988	48,816
Prepaid expenses	110,814	33,511
	938,220	2,260,557
Equipment (note 4)	368,046	385,951
Mineral property interests (note 5)	11,848,321	11,203,784
	\$ 13,154,587	\$ 13,850,292

## Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 105,534	\$ 233,816
Future income tax liability	247,099	247,099
Shareholders' equity:		
Share capital (note 6)	15,245,682	15,245,682
Contributed surplus (note 7)	3,556,302	3,532,666
Accumulated other comprehensive income	471	48,201
Deficit	(6,000,501)	(5,457,172)
	12,801,954	13,369,377
	\$ 13,154,587	\$ 13,850,292

Nature of operations (note 1)  
Related party transactions (note 8)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Craig D. Thomas" Director

"Iain F. MacPhail" Director

# OREMEX RESOURCES INC.

Consolidated Statement of Operations and Deficit

Unaudited

	Three month period ended		Six month period ended	
	May 31, 2008	May 31, 2007 (Restated)	May 31, 2008	May 31, 2007 (Restated)
Administrative expenses:				
Accounting and audit	\$ 40,000	\$ 10,000	\$ 50,000	\$ 17,550
Amortization	13,719	3,272	27,329	6,619
Director& committee fees	45,403	35,000	90,403	65,000
Insurance	4,992	4,970	9,992	9,877
Legal	9,871	7,140	18,481	19,379
Management fees & salaries	87,162	82,676	188,691	178,031
Office expenses	34,245	34,129	74,309	62,715
Regulatory & filing fees	18,284	6,352	19,545	12,763
Rent	9,273	8,035	19,014	17,590
Shareholder relations	30,591	92,977	66,035	167,317
Stock-based compensation	22,022	117,789	23,636	124,760
Travel	10,232	42,211	33,766	76,292
Loss before undernoted items	(325,704)	(444,551)	(621,171)	(757,893)
Other income (expenses):				
Interest income	5,372	36,641	19,339	88,832
Rental Income	68,568	-	68,568	-
Gain on sale of securities	342	-	342	-
Loss on disposal of assets	-	-	-	(1,736)
Loss on sale of property	-	-	-	(30,082)
Gain (loss) on foreign exchange	2,124	(2,180)	(10,407)	(2,271)
Unrealized foreign exchange loss on drill rig lease	-	(20,440)	-	(20,440)
	76,406	14,021	77,842	34,303
Loss for the period	(249,298)	(430,530)	(543,329)	(723,590)
Deficit, beginning of the period	(5,751,203)	(4,392,421)	(5,457,172)	(4,099,361)
Deficit, end of the period	\$ (6,000,501)	\$ (4,822,951)	\$ (6,000,501)	\$ (4,822,951)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.02)
Weighted average number of shares outstanding - basic and diluted	37,082,325	37,082,325	37,082,325	37,017,050

See accompanying notes to consolidated financial statements.

# OREMEX RESOURCES INC.

## Consolidated Statement of Comprehensive Loss

Unaudited

	Three month period ended		Six month period ended	
	May 31, 2008	May 31, 2007 (Restated)	May 31, 2008	May 31, 2007 (Restated)
Loss for the period	\$ (249,298)	\$ (430,530)	\$ (543,329)	\$ (723,590)
Other comprehensive income:				
Unrealized (loss) gain on marketable securities available for sale	(45,744)	26,242	(47,730)	243,964
Comprehensive loss for the period	\$ (295,042)	\$ (404,288)	\$ (591,059)	\$ (479,626)

## Consolidated Statement of Accumulated Other Comprehensive Income

Unaudited

	Three month period ended		Six month period ended	
	May 31, 2008	May 31, 2007 (Restated)	May 31, 2008	May 31, 2007 (Restated)
Accumulated other comprehensive income, beginning of the period	\$ 46,215	\$ 217,722	\$ 48,201	\$ -
Other comprehensive income:				
Realized gain transferred to Income	(342)	-	(342)	-
Unrealized (loss) gain on marketable securities available for sale	(45,402)	26,242	(47,388)	243,964
Accumulated other comprehensive income, end of the period	\$ 471	\$ 243,964	\$ 471	\$ 243,964

See accompanying notes to consolidated financial statements.

# OREMEX RESOURCES INC.

## Consolidated Statement of Cash Flows

Unaudited

	Three month period ended		Six month period ended	
	May 31, 2008	May 31, 2007	May 31, 2008	May 31, 2007
Cash provided by (used in):		(Restated)		(Restated)
Operations:				
Loss for the period	\$ (249,298)	\$ (430,530)	\$ (543,329)	\$ (723,590)
Items not affecting cash:				
Amortization	13,719	3,272	27,329	6,619
Gain on sale of marketable securities	(342)	-	(342)	-
Loss on disposal of assets	-	-	-	1,736
Loss on sale of property	-	-	-	30,082
Unrealized foreign exchange loss on drill rig	-	20,440	-	20,440
Stock-based compensation	22,022	117,789	23,636	124,760
	(213,899)	(289,029)	(492,706)	(539,953)
Changes in non-cash operating accounts:				
Amounts receivable	(84,857)	(11,293)	(92,172)	(33,094)
Prepaid expenses	(34,948)	(16,029)	(77,303)	4,117
Accounts payable and accrued liabilities	39,989	(45,602)	(128,282)	2,224
	(293,715)	(361,953)	(790,463)	(566,706)
Investments:				
Mineral property interest acquisition costs	-	(278,890)	(150,480)	(1,364,656)
Exploration of mineral property interests	(212,575)	(494,098)	(494,057)	(762,656)
Proceeds from sale of equipment	-	-	-	2,000
Purchase of drill rig	-	-	-	(285,570)
Fair value recovery on drill rig	-	20,898	-	46,874
Purchase of equipment	-	(6,013)	(9,424)	(6,066)
Net cash used in investing activities	(212,575)	(758,103)	(653,961)	(2,370,174)
Financing:				
Sale of marketable securities	11,858	-	11,858	-
Proceeds from options exercised	-	-	-	103,080
Net cash provided by financing activities	11,858	-	11,858	103,080
Decrease in cash and cash equivalents	(494,433)	(1,120,056)	(1,432,566)	(2,833,800)
Cash and cash equivalents, beginning of year	1,036,611	4,257,931	1,974,744	5,971,675
Cash and cash equivalents, end of period	\$ 542,178	\$ 3,137,875	\$ 542,178	\$ 3,137,875
Cash and cash equivalents consist of:				
Cash	\$ 28,970	\$ 31,499	\$ 28,970	\$ 31,499
Guaranteed investment certificates	513,208	3,106,376	513,208	3,106,376
	\$ 542,178	\$ 3,137,875	\$ 542,178	\$ 3,137,875

Supplementary information (note 9)

See accompanying notes to consolidated financial statements.

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

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## 1. Nature of operations:

Oremex Resources Inc. (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 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 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 ability of the Company to continue as a going concern and 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.

## 2. Significant accounting policies:

### (a) Basis of consolidation:

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Oremexico S.A. de C.V. (Oremexico), incorporated under the federal laws of Mexico on July 27, 2007; and Minera Montana R.L. de C. V. (Montana), incorporated under the federal laws of Mexico and acquired September 26, 2007. All inter-company transactions and balances have been eliminated on consolidation.

### (b) Basis of presentation:

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended November 30, 2007 and have been consistently followed in the preparation of these consolidated interim financial statements except that the company has adopted the following CICA standards effective for the Company's first quarter commencing December 1, 2007:

#### *Capital disclosures and financial instruments – disclosures and presentation:*

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, 'Capital Disclosures', Handbook Section 3862, 'Financial Instruments – Disclosures', and Handbook Section 3863, 'Financial Instruments – Presentation'. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital, (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

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## 2. Significant accounting policies (continued):

As a result of the adoption of this standard, additional disclosures on the risks of certain financial statements have been included in Notes 11 and 12 to the financial statements. Sensitivity analyses have been included to reflect the risk of changes in market risks.

Section 3863 establishes standards for the presentation and classification of financial instruments and non-financial derivatives. The adoption of this standard did not have any impact on the classification or presentation of the Company's financial instruments.

### *Going concern*

In June, 2007, CICA Handbook Section 1400 was amended to clarify requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual periods beginning on or after January 1, 2008.

### *International Financial Reporting Standards ("IFRS")*

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with IFRS. The AcSB has announced that public companies will be required to changeover to IFRS effective January 1, 2011. This transition date will require the restatement for comparative purposes of the amounts reported by the Company for the 2010 year end. While the Company has begun assessing the adoption of IFRS for 2011, the impact of these changes in financial reporting requirements cannot reasonably be estimated at this time.

### (c) Restatement of Comparative Periods

Comparative periods have been restated to reflect comprehensive income figures on a basis consistent with the presentation in the current period. The restatement was required to reflect the change in marketable securities from held for trading to available for sale, as determined at the last year end. This required the reclassification of unrealized income related to the securities from the Statement of Operations to the Statement of Comprehensive Loss.

### (d) Comparative Figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

## 3. Marketable securities:

Marketable securities are carried at fair value based on quoted market prices. At May 31, 2008, the Company held 601,000 shares of Canasil Resources Inc.

Cost of investment	\$143,769
Accumulated unrealized holding gains	<u>471</u>
Carrying value	<u>\$144,240</u>

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

## 4. Equipment:

Six Month Period Ended May 31, 2008	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 30,326	\$ 13,709	\$ 16,617
Office furniture and equipment	44,870	8,591	36,279
Software	7,842	7,842	-
Leasehold improvements	15,865	2,306	13,559
Site vehicles	69,321	22,817	46,504
Drilling rig held for leasing purposes	285,570	30,483	255,087
	<u>\$ 453,794</u>	<u>\$ 85,748</u>	<u>\$ 368,046</u>

Year Ended November 30, 2007	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 25,233	\$ 11,173	\$ 14,060
Office furniture and equipment	42,081	5,046	37,035
Software	7,620	7,282	338
Leasehold improvements	14,544	1,269	13,275
Site vehicles	69,322	14,611	54,711
Drilling rig held for leasing purposes	285,570	19,038	266,532
	<u>\$ 444,370</u>	<u>\$ 58,419</u>	<u>\$ 385,951</u>

## 5. Mineral property interests:

### (a) Background:

Pursuant to an agreement dated February 28, 2003 (the Letter Agreement), between the Company and Montana (which at the time was controlled by an individual who subsequently became an officer and director of the Company), the Company agreed to acquire an option on the Tejaman silver property, the San Lucas silver property and four other mineral properties located in the states of Durango and Zacatecas, Mexico. In June 2003 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. 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 Montana totaling \$236,954.

Montana agreed to acquire the above 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), Montana had the right to acquire the concessions by making payments totaling US\$2,118,000. The mineral exploration concessions which were 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, being La Parilla, Mezquetal, Maco and El Sol, two of which were subsequently sold.

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

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## 5. Mineral property interests (continued):

On December 9, 2004, Montana entered into an option agreement to acquire additional mineral exploration concessions from an underlying property owner. Under the terms of Agreement, Montana has the right to acquire the concessions by making payments totaling MP\$2,250,000 (CAD\$203,650) and IVA. To date, payments of MP\$550,000 (CAD\$49,780) have been paid. The Company is required to make the following payments: MP\$600,000 (CAD\$54,300) on December 31, 2008, MP\$400,000 (CAD\$36,200) on December 31, 2009 and MP\$700,000 (CAD\$63,370) on December 31, 2010.

On June 1, 2006, the Company completed the sale of its interest in the La Parilla property to First Majestic Resources Corp.

On December 8, 2006, the Company completed the sale of its interest in the Mezquetal property to Canasil Resources Inc. and its wholly-owned subsidiary Minera Canasil S.A. de C.V. A director of the Company had served as an officer of Canasil at the onset of the transaction. The Company received consideration of 650,000 shares of Canasil (valued at \$0.235 per share at the date of completion of the sale) and 75,000 share purchase warrants (valued at \$0.03 per warrant using the Black-Scholes model as of the date of the completion of the sale). The share purchase warrants have now expired. In January and February 2007, the Company completed the final two payments required under the Jarvis agreement. The mineral exploration concessions included in the Jarvis agreement were subsequently all registered in the name of Montana.

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

During the year ended November 30, 2007, the Company completed the terms of the Option Agreement and Jarvis Agreement and became beneficial owners of the mineral properties owned by Montana and the previous underlying property owner. The Company elected to acquire Montana rather than transfer the mineral property concession with the result that the Company now owns 100% of the mineral properties through its now wholly-owned subsidiary, Montana. No additional consideration was paid aside from acquisition costs of \$127,211.

On January 16, 2008, the Company received regulatory approval for an option to acquire 100% of the Cuyoaco property in Puebla State, which option had been announced November 20, 2007. The Company acquired the option from a director through its wholly owned subsidiary, Oremexico S.A. de C.V.

The exercise of the option requires payments as follows:

US\$150,000 and 100,000 shares on regulatory approval (paid and shares issued);

US\$100,000 and 200,000 shares on December 31, 2008;

US\$150,000 and 200,000 shares on December 31, 2009;

US\$250,000 and 200,000 shares on December 31, 2010; and

US\$1.5 million and one million shares on December 31, 2011

The Company has also agreed to complete the necessary work and make tax payments to ensure the claims are kept in good standing.

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

## 5. Mineral property interests (continued):

(b) Mineral property expenditures:

	For the six months ended May 31, 2008				For the year ended Nov. 30, 2007	
	Tejamen	San Lucas	Cuyoaco	Other	Total	Total
Acquisition costs						
Balance, beginning of period	\$ 2,965,846	\$ 449,459	\$ -	\$ 101,753	\$ 3,517,059	\$ 2,273,588
Incurred during period:						
Property option payments	-	-	150,480	-	150,480	1,370,885
Property tax payments	-	-	-	-	-	122,982
Cost of property sold	-	-	-	-	-	(145,593)
Write-down of properties	-	-	-	-	-	(104,803)
Balance, end of period	\$ 2,965,846	\$ 449,459	\$ 150,480	\$ 101,753	\$ 3,667,539	\$ 3,517,059
Exploration expenditures						
Balance, beginning of period	\$ 5,918,210	\$ 1,489,782	\$ -	\$ 10,195	\$ 7,418,187	\$ 7,418,187
Incurred during the period:						
Administration	179,232	-	-	-	179,232	153,451
Assaying	-	-	-	1691	1691	93,346
Camp costs and field supplies	25,541	-	-	-	25,541	212,789
Drilling, net	-	-	-	-	-	412,978
Environmental	4,976	-	-	-	4,976	4,267
Geological consulting	114,334	10,711	5,189	598	130,831	300,944
Geological survey	-	-	-	-	-	2,489
Labour	83,235	-	-	-	83,235	65,726
Permitting of land holding costs	8,965	31,061	2,009	3,266	45,301	13,207
Reports and maps	-	-	-	-	-	1,176
Transportation	23,251	-	-	-	23,251	90,335
Cost recovered on property sale	-	-	-	-	-	(37,273)
Write-down of properties	-	-	-	-	-	(20,775)
	439,533	41,771	7,199	5,555	494,057	1,292,660
Balance, end of the period	\$ 6,357,743	\$ 1,531,553	\$ 7,199	\$ 15,750	\$ 7,912,245	\$ 7,418,187
Future income taxes	214,534	54,004	-	-	268,538	268,538
Total mineral property interests	\$ 9,538,123	\$ 2,035,016	\$ 157,679	\$ 117,503	\$ 11,848,321	\$ 11,203,784

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

## 6. Share capital:

### (a) Common shares:

Authorized: Unlimited number of common shares, without par value

Issued and outstanding common shares:

	Six months ended May 31, 2008		Year ended November 30, 2007	
	Number	Amount	Number	Amount
Balance, beginning of period	37,082,325	\$ 15,245,682	36,882,325	\$ 15,032,672
Shares issued:				
Options exercised	-	-	200,000	213,010
Private placement:				
Shares	-	-	-	-
Share issue costs	-	-	-	-
Balance, end of period	37,082,325	\$ 15,245,682	37,082,325	\$ 15,245,682

During 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 \$0.55 per option, which has been allocated from contributed surplus to share capital.

### (b) Share purchase options:

In April 2004, the Company adopted a 10% rolling share purchase option plan whereby options may not exceed 10% of the total number of shares issued and outstanding of the Company from time to time on a non-diluted basis. On May 3, 2007 and May 14, 2008 the plan was updated and re-approved. For the period ended November 30, 2008 options were outstanding as follows:

	Number of options	Weighted average exercise price	Weighted average number of years to expiry
Granted and outstanding:			
Balance, November 30, 2006	2,325,000	0.74	3.33
Granted	650,000	0.55	4.45
Exercised	(200,000)	0.52	-
Expired	(425,000)	0.77	3.65
Balance, November 30, 2007	2,350,000	0.62	3.09
Granted	25,000	0.44	4.75
Exercised	-	-	-
Expired	(400,000)	0.59	-
Balance outstanding, May 31, 2008	1,975,000	\$0.63	2.79
Balance exercisable, May 31, 2008	1,912,500	\$0.61	2.66

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

## 6. Share capital (continued):

### (b) Share purchase options (continued):

Option expiry dates are as follows:

Option expiry date	Number	Price
November 18, 2008	175,000	\$ 0.50
December 15, 2008	150,000	0.52
January 25, 2010	125,000	0.52
September 21, 2010	200,000	0.52
May 11, 2011	450,000	0.89
July 17, 2011	250,000	0.60
August 31, 2011	100,000	0.70
April 21, 2012	150,000	0.56
May 3, 2012	300,000	0.54
September 4, 2012	50,000	0.54
December 11, 2012	25,000	0.44
	1,975,000	\$ 0.63

### (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, 2006	5,401,667	0.91	0.88
Expired	(735,000)	0.65	-
Balance, November 30, 2007	4,666,667	0.95	0.97
Expired	(4,666,667)	0.95	-
Balance, May 31, 2008	-	\$ -	-

During 2007, 735,000 warrants expired, each of which had entitled the holder to purchase one common share at a price of \$0.65.

The warrants were extended during the year ended November 30, 2007 to expire February 18, 2008, and expired unexercised in the first quarter.

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

## 7. Contributed surplus and stock-based transactions:

During the period and the year ended November 30, 2007, the Company entered into certain transactions involving share rights for consultants and key personnel. The Company recorded contributed surplus arising from stock-based compensation related to these rights as follows:

	Six months ended May 31, 2008	Year ended November 30, 2007
Balance, beginning of year	\$ 3,532,666	\$ 3,494,805
Fair value of stock options granted and vested	23,636	147,791
Transfer to share capital upon exercise of stock options	-	(109,930)
<b>Balance, end of year</b>	<b>\$ 3,556,302</b>	<b>\$ 3,532,666</b>

- (a) For the six months ended May 31, 2008, the Company recorded stock-based compensation expense of \$20,408 with respect to 175,000 previously issued stock options, of which 50,000 have not vested, and stock-based compensation expense of \$3,228 with respect to the issuance of 25,000 stock options of which 12,500 have not vested.
- (b) During 2007, 200,000 stock options granted in prior periods were exercised at prices ranging from \$0.50 to \$0.52 per share. \$109,930 was transferred from contributed surplus to share capital as a result of the exercise.

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

	2008	2007
Risk free interest rate	4.25%	4.22%
Volatility	66%	64 - 66%
Expected life of options	5 years	5 years
Dividend rate	0%	0%

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

## 8. Related party transactions:

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

	Six months ended May 31, 2008	Year ended November 30, 2007
Directors fees	\$ 90,403	\$ 30,000
Deferred mineral property expenditures (a and c)	-	261,042
Acquisition payments (a)	150,480	1,085,766
Geological consulting, travel and field supplies (b and d)	32,717	53,175
	\$ 273,600	\$ 1,430,083

- (a) Prior to the acquisition of Montana in September, 2007, funds for the budgeted mineral property exploration program in Mexico, as well as funds advanced for property acquisition payments, were advanced to Montana under contract to provide and manage the exploration program conducted in Mexico (note 5). Amounts paid to third parties by Montana were reimbursed at cost. Charges paid by Montana for equipment rentals and drilling services, that were provided by a company controlled by a director, were charged at market rates.
- (b) On November 30, 2003, the Company entered into an agreement for the provision of management and technical services from a company controlled by a director and former officer. Compensation under the agreement was US\$9,000 per month during the fiscal year ended November 30, 2007. During the third quarter, this contract ended upon the resignation of the officer. The travel amount includes reimbursement charges for the use of a private plane owned and piloted by the director.
- (c) Property acquisition payments totaling \$150,480 were made to a director for the Cuyoaco Property acquisition.
- (d) A director was contracted to provide geological consulting services on a month-to-month basis, as required, with respect to an appraisal of the Company's properties in Mexico.

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

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

## 9. Supplementary cash flow information:

The Company paid no interest or income taxes during the periods ended May 31, 2008 and November 30, 2007.

## 10. Segmented information:

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

	Six months ended May 31, 2008	Year ended November 30, 2007
Mexico	\$ 9,625,627	\$ 9,094,333
Canada	3,528,960	4,755,959
	<u>\$ 13,154,587</u>	<u>\$ 13,850,292</u>

## 11. Management of capital risk:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity, as well as the cash and cash equivalents, and investments. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company has not changed its approach to capital management during the current period. The Company is not subject to any external capital restrictions.

The Company expects that it will be necessary to raise additional capital during the current fiscal year to meet its budgeted exploration and development plans and operations.

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

Six months ended May 31, 2008

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## 12. Management of financial risk:

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risks, liquidity risk, interest risk and price risk.

### (a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Mexico and a portion of its expenses are incurred in Mexican Pesos. A significant change in the currency exchange rates between the Canadian dollar relative to the Mexican Peso could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

At May 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Mexican Pesos:

	May 31, 2008	November 30, 2007
Cash and cash equivalents	MP\$ 23,156	MP\$ 323,304
Amounts receivable	1,211,450	1,023,394
Accounts payable and accrued liabilities	(70,380)	(1,398,978)
<b>Total</b>	<b>MP\$1,164,226</b>	<b>MP\$ (52,280)</b>
Canadian dollar equivalent (period end)	CDN\$ 111,640	CDN\$ (4,737)

Based on the above net exposures as at May 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Mexican Peso would not result in a material change to the Company's loss.

### (b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash equivalents are held through large Canadian financial institutions. Short-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period.

# OREMEX RESOURCES INC.

Notes to Consolidated Interim Financial Statements

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## 12. Management of financial risk (continued):

The Company's receivables consist of sales taxes due from the Federal Governments of Canada and Mexico, as well as rental revenue accrued with respect to the rental of the drill rig.

### (c) Liquidity risk

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

Accounts payable and accrued liabilities are due within the current operating period.

### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair market value of the investments in highly liquid short term interest bearing instruments, included in cash and cash equivalents, is limited because these investments, although available for sale, are generally held to maturity. Any change in interest rates would have a negligible effect on the Company at this time.

### (e) Price risk

Although the Company is not in production, the nature of the project potentially exposes the Company to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

**OREMEX RESOURCES INC.**  
*Management's Discussion & Analysis*  
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This Management's Discussion and Analysis (MD&A) is an overview of the activities of Oremex Resources Inc. (the Company) for six month period ended May 31, 2008, and includes certain information from the prior three fiscal years. This document should be read in conjunction with the unaudited consolidated financial statements of the company for the six months ended May 31, 2008 and the consolidated audited financial statements of the Company for the year ended November 30, 2007. 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. This document contains statements that constitute "forward-looking" statements and other cautionary notices (please refer to "*Forward-looking Statements and Estimates*" section in this MD&A for more information). The effective date of this document is July 15, 2008.

## **OVERALL PERFORMANCE**

The Company is a Canadian-based active exploration company with a focus on the acquisition and development of mineral properties in Mexico. During the quarter, the Company:

- Continued discussions with the Ejido of Tejamen (governing authority for the village and surrounding lands) for surface access rights at the Tejamen Project (Tejamen).
- Secured federal government support for development of Tejamen.
- Began implementation of the plan to take Tejamen to a feasibility study in 2009.
- Completed a new topographical survey of drill holes and relogged drill holes in Los Mantos Zone, the major deposit at Tejamen, to standardize geological data.
- Determined surface area requirements for operations at Tejamen.
- Solicited quotations for drill program to translate the inferred mineral resource to a proven and probable reserve as well as condemnation drilling for plant, leach pad and access road sites.

## **RESULTS OF OPERATIONS**

### **Mineral Properties**

The Company holds six mineral concessions through its wholly-owned subsidiaries Oremexico S.A. de C.V and Minera Montana R.L. de C.V. The Tejamen and San Lucas properties are located in the State of Durango. The Maco and Santa Catarina properties are located in the State of Sinaloa; the Cuyoaco Property in the State of Puebla and the Chalchihuites Property in the State of Zacatecas.

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**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 mineral concessions covering approximately 1,672 hectares. Access is by paved highway from Durango to Nuevo Ideal, and by 10 kilometres of good gravel road from Nuevo Ideal to Tejamen.

*Background*

In 2006, the Company released results of a NI 43-101 compliant Technical Report prepared by Wardrop Engineering Inc. (Wardrop). Based on the 36,000 metres of reverse circulation drilling completed between December 2003 and November 2005, Wardrop calculated an Inferred Mineral Resource of 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 (a silver-equivalent grade of 69.8 gpt).

In late 2006 Snowden Mining Industry Consultants completed a NI 43-101 compliant Technical Report, an independent Preliminary Assessment Study, on Tejamen concluding that mineral resource could support a 10,000 tonne per day, open pit mine and heap leach processing system. They also concluded that Tejamen could generate a significant return on investment with a pre-tax net present value of US\$155.5 million at a silver price of US\$15.00 per ounce.

Early in 2007, the Company initiated discussions with the Ejido (governing authority for the local village and surrounding lands) of Tejamen for surface access rights for mining. In Mexico, right to mineral concessions is separate from the right to surface access requiring the owner of mineral concessions to negotiate with the underlying land owner for the right to use the surface for exploration, development and exploitation of mineral resources. On February 26, 2007, the Company announced that the Ejido elected, by a narrow margin, not to renew the surface access permit for Tejamen. Discussions with the Ejido as well as the regional, State and federal governments have continued to date.

During the first quarter of 2008, the Company completed a new topographical survey in Los Mantos area and relogged core to ensure consistency of data, redesigned the pit wall in Los Mantos to minimize impact on the local village and determined equipment requirements for mining. An extensive drill program to move inferred resources to proven reserves and condemn areas for the location of the plant, leach pad and access roads was also determined in preparation for completion of the feasibility study in 2009.

*Second Quarter 2008*

During the second quarter the Company has solicited quotations for the next phase of drilling as well as determined alternatives for the siting of waste rock, leach pads and plant facilities. The Company has also explored alternatives for recovery of metal from pregnant solutions recovered from the leach pad.

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Based on a firm decision by the Governor of the State of Durango to assist the parties involved, and to achieve social and economic benefits for the region, discussions with the Ejido of Tejaman are being directed by the Secretary of State, for the Government Cabinet of Durango. The Secretary of State is leading the discussions and is responsible for the timelines to arrive at a resolution in the near term. The Company has presented terms for settlement to the government that are similar to a recent agreement arrived at between another mining company and the local village in the vicinity of its mine. The Company is in regular contact with senior representatives of the federal and state governments, who are assisting the Secretary of State.

**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 mineral concessions covering 925 hectares. San Lucas consists of a series of northeast trending mineralized shear zones in volcanic and sedimentary rocks.

*Background*

In 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 was traced by drilling for 1,700 metres. Surface mapping has traced the zone for over four kilometers and has identified a separate subparallel structure.

In 2007, the Company negotiated a long-term lease with the Ejido of San Lucas for the use of surface rights at San Lucas. The Company completed a 7,000 metre reverse circulation drill program to test extensions down dip and along trend of mineralization. That program intersected high grade silver mineralization at surface with a zone of lower grade lead-zinc mineralization at depth. A detailed assessment of results along with historic underground data has lead to the conclusion that there is potential to define a large, low grade deposit of zinc-lead mineralization was completed during the first quarter of. The Company continues to seek a joint venture partner to advance the project.

**Cuyoaco Property, State of Puebla**

In late 2007, the Company executed an agreement to acquire the Cuyoaco Property (Cuyoaco), in the State of Puebla, Mexico. Cuyoaco has the potential to host both a high grade gold system and a large copper-gold porphyry deposit.

The agreement provides the Company, through its wholly-owned subsidiary Oremexico S.A. de C.V., with the exclusive option to purchase a 100 percent interest in the property over a four year period. If the option is exercised the total consideration will be cash payments of \$2.15 million and 1.7 million shares of the Company scheduled over a four year time period. The Company has also agreed to complete the necessary work and make the obligatory tax payments to ensure that the claims are in good standing. The

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mineral concession owner is Francisco Crespo Hernandez, a Director of the Company. Subsequent to year end, regulatory approval for this acquisition was received.

Cuyoaco is located in an old mining camp, formerly known as the Talpizaco-Tateno Mining District where sedimentary rocks are intruded by a diorite stock and numerous dykes. Two concessions, covering 643 hectares, encompass the former Santa Elena, Santo Nino, Magistral and California-Durazno Mines. At the Santa Elena and Santo Nino zones, coarse metallic gold and electrum in calcite stringers is associated with narrow diorite dikes and adjacent skarns. At the Magistral and California-Durazno workings, copper-gold-lead-zinc anomalies suggest the presence of a large porphyry copper-gold system. The Company intends to complete an initial program of geochemical sampling with follow up diamond drilling on the property.

**Chalchihuites Property, State of Zacatecas**

The Chalchihuites Property, located 100 kilometres southeast of the city of Durango and 100 kilometres northwest of Fresnillo, Zacatecas, consists of four mineral concessions 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.

**Maco Property, State of Sinaloa**

The Maco Property, located near San Blas, Sinaloa, is comprised of a single concession covering 1,500 hectares that covers a large area of prospective gold-copper porphyry mineralization. Results of a 2006 rock chip sampling program of a copper-stained cliff are encouraging. The Company has not performed any field work on the property during the year and plans to complete a re-assessment of the property during 2008.

**Santa Catarina Property, State of Sinaloa**

The Santa Catarina consists of two mineral concessions hosting a gold-bearing massive sulphide gold system. The 142 hectare property is located near the village of Santa Catarina in the State of Sinaloa. Pyrrhotite with minor chalcopyrite carries gold values that range from 6.8 to 17.1 grams per tonne gold with an apparent width of 20 metres. The Company did not perform any field work during the year and plans to complete a re-assessment of the property during 2008.

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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 2007, 2006 and 2005. 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 below.

**SELECTED ANNUAL FINANCIAL INFORMATION**

<b>(Audited)</b>	<b>November 30,</b>		
<b>(Thousands of Dollars)</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
a) Total revenues	Nil	Nil	Nil
b) Loss before discontinued operations and extraordinary items	(1,358)	(591)	(1,012)
c) Basic and diluted loss per share	(0.04)	(0.02)	(0.04)
d) Loss for the year	(1,358)	(591)	(1,012)
e) Basic and diluted loss per share	(0.04)	(0.02)	(0.04)
f) Total assets	13,850	14,481	7,839
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 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 programs.

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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)</b> <b>per share</b> \$
May 31, 2008	Nil	249,298	0.007
Feb. 29, 2008	Nil	294,031	0.008
Nov. 30, 2007	Nil	442,700	0.018
Aug. 31, 2007	Nil	455,800	0.010
May 31, 2007	Nil	430,530	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)

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, 2008, and the comparable period in 2007, the Company incurred a loss as follows:

	<b>2008</b>	<b>2007</b>
For the three months ended May 31:		
Loss	\$ 249,298	\$ 430,530
Comprehensive loss	\$ 295,042	\$ 404,288
Loss per share	\$ 0.007	\$ 0.011
For the six months ended May 31:		
Loss	\$ 543,329	\$ 723,590
Comprehensive loss	\$ 591,059	\$ 479,626
Loss per share	\$ 0.014	\$ 0.019

Comparative numbers have been restated to present loss and comprehensive loss on a basis consistent with current practice.

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The comprehensive loss for the quarter includes an unrealized loss of \$45,744 (YTD: \$47,730) (2007: unrealized gain of \$26,242 – YTD \$243,964) on marketable securities held for resale due to a decline in their market value. The Company will record additional gains or losses in future periods to reflect future changes in the fair market value or the disposal of these securities.

The most significant reason for the difference between the second quarter 2008 loss of \$249,298 and the 2007 loss of \$430,530 is the recognition of rental income on the drill rig of \$68,568 (2007: \$nil), and a reduction in stock based compensation to \$22,022 (2007 \$117,789). These two items account for majority of the change between 2008 and 2007.

Rig rental income is only recorded when the rig is used by one of our drilling contractors for outside work. In Q2 we were advised that the operator used the rig extensively. Stock based compensation declined in Q2 as we did not issue any options, and only recorded compensation expense for previously issued options which vested in the quarter.

On an operational basis, second quarter administrative expenses were \$325,704 in 2008 and \$444,551 in 2007. The financial results of this quarter include the consolidated operations of the Mexican subsidiaries of the Company, which was not the case in the corresponding quarter of 2007.

The principal differences during the year were:

- Accounting and audit fees were \$40,000 (YTD - \$50,000) (2007 - \$10,000; YTD – 17,550) reflecting an accrual for the annual audit expense billed after the quarter end;
- Amortization of \$13,719 (YTD - \$27,329)(2007 - \$3,272; YTD - \$6,619) reflecting the consolidation of Minera Montana and Oremexico, and the amortization of assets held by those subsidiaries;
- Director and committee fees of \$45,403 (YTD - \$90,403) (2007 - \$35,000; YTD - \$65,000) due to the increased size of the board and increased compensation compared to the same quarter last year;
- Regulatory and filing fees of \$18,284 (YTD - \$19,545) (2007 - \$6,352; YTD – 12,763) due to increased regulatory filings and generally increased costs;
- Shareholder relations expenses decreased to \$30,591 (YTD - \$66,035) (2007 - \$92,977; YTD - \$167,317) as the Company has continued to reduce commitments in this area compared to last year;
- Travel expenses were reduced to \$10,232 (YTD - \$33,766) (2007 - \$42,211; YTD - \$76,292) as a result of reduced shareholder relations commitments;
- Interest income was \$5,372 (YTD - \$19,339) (2007 - \$36,641; YTD - \$88,832) due to reduced funds on deposit.

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**CAPITAL RESOURCES AND LIQUIDITY**

As at May 31, 2008, the Company's working capital was \$832,686 (2007 - \$3,572,697), which included \$542,178 in cash and cash equivalents (2007 - \$3,137,875). Management is of the opinion that additional funds will need to be raised to meet planned exploration programs for the 2008 fiscal year as well as administrative expenses. 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.

The Company does not, and does not intend to hold any of its investments in commercial paper.

**OFF-BALANCE-SHEET ARRANGEMENTS**

As at May 31, 2008 and as of the date of this report, the Company had no off-balance sheet arrangements.

**TRANSACTIONS WITH RELATED PARTIES**

During the quarter, the Company paid a director \$11,295 for professional consulting services with respect to property evaluations and advancement of Tejamen Ejido negotiations.

**ACTUAL AND PROPOSED TRANSACTIONS**

In the normal course of business, the Company evaluates mineral properties for either acquisition or disposal. There are no other contemplated transactions to be disclosed as of the date of this report.

**CHANGES IN ACCOUNTING POLICIES**

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, 'Capital Disclosures', handbook Section 3862, 'Financial Instruments – Disclosures', and Handbook Section 3863, 'Financial Instruments – Presentation'.

Section 1535 specifies the disclosure of:

- (i) an entity's objectives, policies and processes for managing capital;
- (ii) quantitative data about what the entity regards as capital;
- (iii) whether the entity has complied with any capital requirements; and
- (iv) if it has not complied, the consequences of such non-compliance.

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The new sections 3862 and 3863 replace Handbook Section 3861, 'Financial Instruments – Disclosure and Presentation', revising and enhancing disclosure requirements, and carrying forward unchanged its presentation requirements.

These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company adopted these new standards effective December 1, 2007.

In June, 2007, CICA Handbook Section 1400 was amended to clarify requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual periods beginning on or after January 1, 2008. The Company adopted these new standards effective December 1, 2007.

*International Financial Reporting Standards ("IFRS")*

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with IFRS. The AcSB has announced that public companies will be required to changeover to IFRS effective January 1, 2011. This transition date will require the restatement for comparative purposes of the amounts reported by the Company for the 2010 year end. While the Company has begun assessing the adoption of IFRS for 2011, the impact of these changes in financial reporting requirements cannot reasonably be estimated at this time.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash and equivalents, amounts receivable, marketable securities, and accounts payable. The fair value of these instruments approximates their carrying value due to their short-term maturity, except for marketable securities which are marked to market.

Cash equivalents include money-market investments, banker's acceptances and guaranteed investment certificates 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 Company does not have any investments in asset backed commercial paper.

**INCENTIVE SHARE OPTION PLAN**

On May 14, 2008, 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 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, 2008, the Company had 37,082,325 common shares issued and outstanding (see note 6 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, 2008, the Company had 1,975,000 share purchase options outstanding at various exercise prices and maturing at various future dates. As of the date of this report, there were 1,975,000 options outstanding.

During the first quarter, 4,666,667 warrants expired unexercised. The warrants were originally exercisable at \$0.95 until November 19, 2007, and were subsequently extended to expire February 18, 2008. As of the date of this report, the Company does not have any warrants outstanding.

As of the date of this report, on a fully diluted basis, if all options were exercised, a total of 39,057,325 shares would be issued and outstanding.

**INVESTOR RELATIONS**

The Company did not have any investor relations consultants retained during the quarter.

**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 have a known body of commercial ore and the Company has no mineral reserves.

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.

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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.

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.

#### **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.

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**DISCLAIMER**

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

**CORPORATE DISCLOSURE PRACTICES AND POLICIES**

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

Management is of the opinion that the internal controls designed and implemented by the Company are reasonable in the circumstances given the size of the Company. The principal weaknesses in internal controls are a lack of segregation of duties, due to the small size of the Company, and a reliance on key members of management. Management is aware of the need for strong internal controls and actively implements new controls when it is feasible to do so, as demonstrated by the restructuring of Mexican operations noted above.

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.

There have been no changes in the issuer's internal controls with respect to financial reporting during the period, except as described above.

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**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 15, 2008 the Audit Committee of the Company approved the unaudited financial statements of the Company for the six months ended May 31, 2008, and the disclosure contained within this MD&A.