

# Quarterly Report FORM 51-901F SCHEDULE A

## ISSUER DETAILS

For Quarter Ended: February 29, 2004

Date of Report: April 26, 2004

Name of Issuer: Oremex Resources Inc. (formerly Blackhorn Gold Mines Ltd.)

Issuers Address: #900 – 4099 Granville Street, Vancouver, BC V6C 1T2

Issuers Fax Number: 604-683-5651

Issuers Phone Number: 604-684-9365

  

Contact Person: Sandra Buschau

Contact Position: Corporate Development

Contact Phone Number: 604-683-5651

Contact E-mail: info@oremex.com

Website: www.oremex.com

## CERTIFICATE

The *One/Two* schedules required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of the Quarterly Report will be provided to any shareholder who requests its.

Director's Name: “Anthony Harvey”                      Date Signed: April 26, 2004  
Anthony Harvey

Director's Name: “Ross Glanville”                      Date Signed: April 26, 2004

Ross O. Glanville

**OREMEX RESOURCES INC.**  
**(formerly Blackhorn Gold Mines Ltd.)**

**FINANCIAL STATEMENTS**  
**(Unaudited – Prepared by Management)**

**FOR THE THREE MONTH PERIOD ENDED**

**FEBRUARY 29, 2004**

**OREMEX RESOURCES INC.**  
**(formerly Blackhorn Gold Mines Ltd.)**  
**BALANCE SHEETS**  
(Unaudited – Prepared by Management)

	February 29, 2004	November 30, 2003
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and term deposits	\$ 2,360,448	\$ 2,941,969
Goods and services taxes receivable	23,165	11,925
Prepaid Expenses	<u>22,341</u>	<u>24,341</u>
	2,405,954	2,978,235
<b>Capital Assets (Note 3)</b>	1,423	1,528
<b>Mineral Properties (Note 4)</b>	<u>1,526,308</u>	<u>883,214</u>
	<u>\$ 3,933,685</u>	<u>\$ 3,862,977</u>

<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 95,035	\$ 34,488
Due to related party (Note 4)	<u>14,222</u>	<u>57,011</u>
	<u>109,257</u>	<u>91,499</u>

<b>SHARE CAPITAL AND DEFICIT</b>		
<b>Share Capital (Note 5)</b>	4,100,384	3,863,084
<b>Contributed Surplus (Note 8)</b>	1,420,135	1,407,463
<b>Deficit</b>	<u>(1,696,091)</u>	<u>(1,499,069)</u>
	3,824,428	3,771,478
	<u>\$ 3,933,685</u>	<u>\$ 3,862,977</u>

On behalf of the Board:

\_\_\_\_\_  
“Anthony Harvey” Director      \_\_\_\_\_  
“Ross Glanville” Director

**OREMEX RESOURCES INC.**  
**(formerly Blackhorn Gold Mines Ltd.)**  
**STATEMENTS OF LOSS AND DEFICIT**  
(Unaudited – Prepared by Management)

	Three Month Period Ended February 29, 2004	Three Month Period Ended February 28, 2003
<b>ADMINISTRATIVE EXPENSES</b>		
Advertising and promotion	\$ 13,195	\$ 824
Amortization	105	-
Bank charges and interest	563	20
Consulting fees	81,650	-
Investor relations	29,317	-
Legal and audit	6,756	-
Office expenses	14,930	1,192
Regulatory and filing fees	20,060	198
Rent	5,535	3,000
Shareholder information	17,981	-
Stock-based compensation (Note 7)	<u>12,672</u>	<u>-</u>
	202,764	5,234
<b>OTHER INCOME</b>		
Interest income	1,012	69
Foreign exchange gain	<u>4,730</u>	<u>-</u>
	<u>5,742</u>	<u>69</u>
<b>NET LOSS FOR THE YEAR</b>	(197,022)	(5,165)
<b>DEFICIT</b> , beginning of the period	(1,499,069)	(565,682)
<b>DEFICIT</b> , end of the period	<u>(1,696,091)</u>	<u>(570,847)</u>
<b>BASIC LOSS PER SHARE</b> (Note 5)	0.010	0.002
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b> (Note 5)	18,732,175	2,158,001

**OREMEX RESOURCES INC.**  
**(formerly Blackhorn Gold Mines Ltd.)**  
**STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)

	For the Three Months Ended February 29, 2004	For the Three Months Ended February 28, 2003
<b>CASH FLOWS FROM (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (197,022)	\$ (5,165)
Add: Amortization	105	-
Stock-based compensation	<u>12,672</u>	<u>-</u>
	(184,245)	(5,165)
Change in non-cash operating accounts:		
Goods and services tax receivable	(11,240)	(331)
Accounts payable and accrued liabilities	60,547	5,356
Prepaid expenses	<u>2,000</u>	<u>(5,000)</u>
Net cash used in operating expenses	<u>(132,938)</u>	<u>(5,140)</u>
<b>INVESTING ACTIVITIES</b>		
Mineral properties	<u>(643,094)</u>	<u>-</u>
Net cash (used) received from investing activities	<u>(643,094)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Warrants exercised	162,300	-
Proceeds from private placements	75,000	-
Due to related parties	<u>(42,789)</u>	<u>5,000</u>
Net cash provided by financing activities	<u>194,511</u>	<u>5,000</u>
<b>Increase (Decrease) in Cash</b>	(581,521)	(140)
<b>Cash and equivalents, beginning of period</b>	<u>2,941,969</u>	<u>6,052</u>
<b>Cash and equivalents, end of period</b>	<u>\$ 2,360,448</u>	<u>\$ 5,912</u>

**OREMEX RESOURCES INC.****(formerly Blackhorn Gold Mines Ltd.)**

## SCHEDULE OF CUMULATIVE MINERAL PROPERTY COSTS

FOR THE PERIOD ENDED FEBRUARY 29, 2004

(Unaudited – Prepared by Management)

For the three months ended February 29, 2004							
	Tejaman	San Lucas	Mezquetal	La Parrilla	El Sol	Chalchiuites	Total
Acquisition costs							
Balance, beginning	\$ 439,667	\$ 184,660	\$ 43,286	\$ 6,683	\$ 22,249	\$ 12,909	\$ 709,454
Incurred during period	134,179	46,627	13,728	2,119	7,056	4,094	207,803
Properties abandoned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
Balance, ending	573,846	231,287	57,014	8,802	29,305	17,003	917,257
Exploration expenditures							
Assaying	-	-	-	-	-	-	-
Camp costs & field supplies	378	36	-	-	-	-	414
Drilling	238,794	-	-	-	-	-	238,794
Geological consulting	106,839	36,312	6,320	796	2,646	2,113	155,026
Geophysical survey	-	-	-	-	-	-	-
Labour	22,360	4,112	-	-	-	-	26,472
Metallurgical testing	-	-	-	-	-	-	-
Reports and maps	1,429	49	-	-	-	-	1,478
Transportation	<u>6,777</u>	<u>3,022</u>	<u>1,399</u>	<u>398</u>	<u>1,323</u>	<u>189</u>	<u>13,108</u>
	<u>376,577</u>	<u>43,531</u>	<u>7,719</u>	<u>1,194</u>	<u>3,969</u>	<u>2,302</u>	<u>435,292</u>
Balance, beginning	120,367	39,752	6,938	1,070	3,564	2,069	173,760
Properties abandoned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, ending	<u>496,944</u>	<u>83,283</u>	<u>14,657</u>	<u>2,264</u>	<u>7,533</u>	<u>4,371</u>	<u>609,052</u>
Cumulative mineral property costs	\$ 1,070,790	\$ 314,570	\$ 71,671	\$ 11,066	\$ 36,838	\$ 21,374	\$ <b>1,526,309</b>

## **1. NATURE OF OPERATIONS**

On July 31, 2003 the Company changed its name from Blackhorn Gold Mines Ltd to Oremex Resources Inc.

The Company's shares were listed and called for trading on the TSX Venture Exchange on November 18, 2003.

The Company is an exploration stage enterprise and is engaged in acquisition and exploration of mineral interests.

Funding for operations has been obtained through share offerings. Future operations (and the ability to meet mineral property option commitments) are dependent upon the company's continuing ability to finance expenditures and achieve profitable operations.

All of the company's mineral interests and exploration activities are in Mexico and are in the exploration stage.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Mineral property interests**

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

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs are capitalized, expensed as period costs or charged as impairment charges.

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

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

### **b) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

**OREMEX RESOURCES INC.**  
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NOTES TO THE FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
THREE MONTH PERIOD ENDED FEBRUARY 29, 2004

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amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant resource property carrying values, useful lives for depreciation and amortization, determination of fair value for stock based transactions and allocations of exploration and related overhead costs to specific property interests. Where estimates have been used financial results as determined by actual events could differ from those estimates.

c) Basic and diluted loss per share

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

As the average market price during the current and prior year was less than the exercise price of warrants and options outstanding the effect is anti-dilutive and is not presented. Basic and diluted loss per share are equal for the years presented.

d) Financial Instruments

The Company's financial instruments consist of cash and money market funds, accounts 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.

e) Risk Management

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

The Company's mineral exploration activities expose it to potential environmental liability for reclamation of property. The Company is currently in the initial exploration stages on its property interests and has not determined whether significant site reclamation costs will be required. The Company records liability for site reclamation when determinable on a systematic accrual basis in the period in which such costs can be reasonably determined.

The Company is not exposed to significant interest rate, or credit concentration risk.

f) Income Taxes

The Company follows CICA Handbook Section 3465 in accounting for corporate income taxes which focuses on the amount of income taxes payable or receivable that would arise if an asset is realized or a liability is settled for its carrying amount. The resulting future income tax asset or liability is recorded based on substantially enacted income tax rates expected to be in effect when timing differences arise. In the case of unused tax losses, income tax reductions and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of such benefits at the balance sheet date.

The Company has recognized no future benefit amount as criteria set out in the recommendations

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NOTES TO THE FINANCIAL STATEMENTS  
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THREE MONTH PERIOD ENDED FEBRUARY 29, 2004

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for recognition have not been met.

g) Stock based compensation

Effective January 1, 2002, the Company adopted guidelines of the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and other stock-based payments.

Under the guidelines, all new or repriced stock-based awards made to non-employees are measured and recognized in the period of grant or revision subject to vesting provisions. The standard also encourages the use of the fair-value method for direct awards of stock, stock appreciation rights and awards that call for settlement in cash or other assets made to employees.

The Company has adopted the fair-value method for all stock-based compensation to employees and consultants. (See Note 7).

h) Foreign exchange

The functional currency of the company is Canadian dollars.

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

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

i) Administrative Expenses

Administrative expenses not directly associated with mineral properties are recognized as period costs and are expensed in the period incurred.

j) Capital assets and amortization

Amortization is calculated on the declining balance basis as follows:

Computer equipment	30% declining balance
Office furniture and equipment	20% declining balance

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

**OREMEX RESOURCES INC.**  
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NOTES TO THE FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
THREE MONTH PERIOD ENDED FEBRUARY 29, 2004

**3. CAPITAL ASSETS**

	<b>2004</b>		<b>2003</b>	
	Cost	Accumulated Amortization	Net	Net
Computer equipment	1,342	287	1,055	-
Office furniture and equipment	430	62	368	-
	<u>1,772</u>	<u>349</u>	<u>1,423</u>	<u>-</u>

**4. SHARE CAPITAL**

Authorized

Unlimited number of common shares, without par value

	February 29, 2004 (unaudited)		November 30, 2003	
	#	\$	#	\$
Balance, beginning of period	18,572,928	3,863,084	2,908,001	547,000
Issued				
i)	270,500	162,300	-	-
ii)	<u>100,000</u>	<u>75,000</u>	-	-
Balance, end of period	<u>18,943,428</u>	<u>4,100,384</u>	<u>2,158,001</u>	<u>539,500</u>

- i. During the period ending February 29, 2004, the Company received \$162,300 via the exercise of 270,500 warrants at an exercise price of \$0.60.
- ii. On February 23, 2004, the Company closed a private placement for 100,000 units at a price of \$0.75 per unit for gross proceeds of \$75,000. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.92 until Feb. 19, 2005. All of the securities issued in connection with the private placement are subject to a four-month hold period until June 19, 2004.

**OREMEX RESOURCES INC.**  
**(formerly Blackhorn Gold Mines Ltd.)**  
NOTES TO THE FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
THREE MONTH PERIOD ENDED FEBRUARY 29, 2004

**Share purchase options**

At the end of February 29, 2004, the following share purchase options were outstanding:

	Granted			Vested	
	Number Of Options	Weighted Average Exercise Price (\$)	Weighted Average number of Years to expiry	Number Outstanding	Weighted Average Exercise Price (\$)
Balance, beginning of year	1,435,000	0.64	4.5	1,235,000	0.62
Issued	-	-	-	-	-
Vested during the period	-	-	-	50,000	0.62
Exercised	-	-	-	-	-
Cancelled	-	-	-	-	-
Balance, end of year	<u>1,435,000</u>	<u>0.64</u>	<u>4.5</u>	<u>1,285,000</u>	<u>0.62</u>

Option expiry dates are as follows:

#	Exercise Price	Expiry
860,000	\$0.50	November 18, 2008
200,000	\$0.50	November 18, 2005
<u>375,000</u>	<u>\$0.89</u>	<u>November 19, 2008</u>
<u>1,435,000</u>		

**Share purchase warrants**

At the period ending February 29, 2004, the following special warrants were outstanding:

	Number Of Warrants*	Weighted Average Exercise Price (\$)	Weighted Average number of Years to expiry
Balance, beginning of period	4,005,000	0.60	0.97
Issued	50,000	0.92	0.98
Exercised	(162,300)	0.60	0.75
Expired	-	-	-
Balance, end of period	<u>3,892,700</u>	<u>0.60</u>	<u>0.97</u>

**OREMEX RESOURCES INC.**  
**(formerly Blackhorn Gold Mines Ltd.)**  
NOTES TO THE FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
THREE MONTH PERIOD ENDED FEBRUARY 29, 2004

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**Escrow shares**

As at the February 29, 2004, 6,840,000 shares are held in escrow subject to escrow agreements. Ten percent, or 760,000, of the escrow shares became free trading upon shares of the Company being called and listed for trading on the TSX Venture Exchange.

**5. RELATED PARTY TRANSACTIONS**

During the period ended February 29, 2004, the Company incurred the following amounts in transactions with directors and companies with common directors:

	2004 \$	2003 \$
Consulting fees	81,650	-
Mineral property exploration	<u>143,289</u>	<u>-</u>
	<u>224,939</u>	<u>-</u>

Due to related parties, as at February 29, 2004:

	2004 \$	2003 \$
Company, controlled by a director and officer	14,222	-
Officers	<u>-</u>	<u>-</u>
	<u>57,011</u>	<u>-</u>

**6. INCOME TAXES**

The Company has non-capital losses available for income tax purposes totaling approximately \$317,320 which may be carried forward to reduce future years taxable income. These losses will expire at different stages up to and including 2010:

<u>Year expires</u>	<u>Non-capital Loss \$</u>
2005	43,259
2006	49,227
2007	29,506
2008	3,661
2009	14,539
2010	775,612
2011 (Estimate - three months)	<u>197,021</u>
	<u>1,112,825</u>

**7. STOCK-BASED COMPENSATION**

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

During the period, 50,000 stock options became vested to its consultants. The options (200,000) were originally granted on November 18, 2004, only ¼ became vested this quarter. The fair value of the options was estimated at approximately \$0.253 per option for a total of \$12,671 and was recorded to contributed surplus. The Company estimated the fair value of each option on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk free interest 3.45%, volatility 100%, expected life of 1.75 years, and a dividend rate of 0%.

**8. SUBSEQUENT EVENTS**

- i) On April 2, 2004, the Company announced it has engaged Canaccord Capital Corporation and First Associates Investments Inc. to act as agents in a brokered private placement of up to five million units at \$1.10 per unit for a total of \$5.5-million. Each unit will consist of one common share and one-half warrant, each full warrant giving the holder the right to purchase an additional common share at \$1.25 within a 12-month period. The shares and any shares issued upon exercise of the warrants will be subject to a four-month hold period. Proceeds of the financing is planned for expanding the current drill hole program on the Tejamen silver property in the State of Durango, Mexico.

An 8% cash commission, of which the agents may elect to be paid up to half in units (having the same terms as the units offered) and agent's warrants equal to 10% of the offering sold entitling the agents to acquire one unit at the offering price for a period of one year from the closing. The private placement is subject to TSX Venture Exchange acceptance.

- ii) On April 13, 2004, results of holes 13, 18, 27, 28, 29 and 33 were released by the Company.



British Columbia Securities Commission

## QUARTERLY AND YEAR END REPORT

BC FORM 51-901F  
(previously Form 61)

**Freedom of Information and Protection of Privacy Act:** The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Securities Act*. Questions about the collection or use of this information can be directed to the Supervisor, Financial Reporting (604-899-6729), PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver BC V7Y 1L2. Toll Free in British Columbia 1-800-373-6393

<b>ISSUER DETAILS</b> NAME OF ISSUER <b>OREMEX RESOURCES INC.</b> (formerly Blackhorn Gold Mines Ltd.)		FOR QUARTER ENDED			DATE OF REPORT		
		04	02	29	Y 04	M 04	D 26
ISSUER ADDRESS							
#900 – 409 GRANVILLE STREET							
CITY/	PROVINCE	POSTAL CODE	ISSUER FAX NO.	ISSUER TELEPHONE NO.			
VANCOUVER	BC	V6C 1T2	604-684-9365	604-683-5651			
CONTACT PERSON			CONTACT POSITION			CONTACT TELEPHONE NO.	
JAMES E. YATES			DIRECTOR			604-683-5651	
CONTACT EMAIL ADDRESS			WEB SITE ADDRESS				
N / A			N / A				

### CERTIFICATE

*The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.*

DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
“Anthony Harvey”	Anthony Harvey	Y M D 04   04   26
DIRECTOR'S SIGNATURE	PRINT FULL NAME	DATE SIGNED
“Ross Glanville”	Ross Glanville	Y M D 04   04   26

**SCHEDULE B: SUPPLEMENTARY INFORMATION**

**1. Analysis of expenses and deferred costs:**

**EXPENSES**

Advertising and promotion	\$ 13,195
Amortization	105
Bank charges and interest	563
Consulting fees	81,650
Investor relations	29,317
Legal and audit	6,756
Office expenses	14,930
Regulatory and filing fees	20,060
Rent	5,535
Shareholder information	17,981
Stock-based compensation	<u>12,672</u>
	<u>202,764</u>

**2. For the period ended February 29, 2004:**

- a. Authorized: Unlimited number of common shares, without par value
- b. Issued and outstanding:

	February 29, 2004 (unaudited)		November 30, 2003	
	#	\$	#	\$
Balance, beginning of period	18,572,928	3,863,084	2,908,001	547,000
Issued				
i)	270,500	162,300	-	-
ii)	<u>100,000</u>	<u>75,000</u>	-	-
Balance, end of period	<u>18,943,428</u>	<u>4,100,384</u>	<u>2,158,001</u>	<u>539,500</u>

- i. During the period ending February 29, 2004, the Company received \$162,300 via the exercise of 270,500 warrants at an exercise price of \$0.60.
- ii. On February 23, 2004, the Company closed a private placement for 100,000 units at a price of \$0.75 per unit for gross proceeds of \$75,000. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.92 until Feb. 19, 2005. All of the securities issued in connection with the private placement are subject to a four-month hold period until June 19, 2004

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
 QUARTERLY REPORT - FORM 51  
 AS AT February 29, 2004

Options granted during the period ended February 29, 2004:

	Granted			Vested	
	Number Of Options	Weighted Average Exercise Price (\$)	Weighted Average number of Years to expiry	Number Outstanding	Weighted Average Exercise Price (\$)
Balance, beginning of year	1,435,000	0.64	4.5	1,235,000	0.62
Issued	-	-	-	-	-
Vested during the period	-	-	-	50,000	0.62
Exercised	-	-	-	-	-
Cancelled	-	-	-	-	-
Balance, end of year	<u>1,435,000</u>	<u>0.64</u>	<u>4.5</u>	<u>1,285,000</u>	<u>0.62</u>

At end of the period, the following share purchase options were outstanding:

#	Exercise Price	Expiry
860,000	\$0.50	November 18, 2008
200,000	\$0.50	November 18, 2005
<u>375,000</u>	<u>\$0.89</u>	<u>November 19, 2008</u>
1,435,000		

c. Summary warrants as at February 29, 2004:

At the period ending February 29, 2004, the following special warrants were outstanding:

	Number Of Warrants*	Weighted Average Exercise Price (\$)	Weighted Average number of Years to expiry
Balance, beginning of period	4,005,000	0.60	0.97
Issued	50,000	0.92	0.98
Exercised	(162,300)	0.60	0.75
Expired	-	-	-
Balance, end of period	<u>3,892,700</u>	<u>0.60</u>	<u>0.97</u>

d. Escrow Shares

As at the February 29, 2004, 6,840,000 shares are held in escrow subject to escrow agreements. 10% percent, or 760,000, of the escrow shares became free trading upon shares of the Company being

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

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called and listed for trading on the TSX Venture Exchange.

**3. Directors:**

James E. Yates  
Ross O. Glanville (audit committee)  
Dale E. Scholz  
Henry A. Scholz (audit committee)  
Anthony Harvey (audit committee)

Officers: Dale E. Scholz – President  
James E. Yates – CFO  
James E. Yates – Secretary

## **SCHEDULE C: MANAGEMENT DISCUSSION**

### **Description of Business**

The Company was incorporated on April 3, 1995 under the name Blackhorn Gold Mines Ltd./Mines d'Or Blackhorn Ltee. by registration of its articles of incorporation under the Canada Business Corporations Act. The Company was extra-provincially registered in British Columbia on June 8, 1995. The name was changed to Oremex Resources Inc. on July 31, 2003.

The Company's shares were listed and called for trading on the TSX Venture Exchange on November 18, 2003.

The Company is engaged in the exploration and development for silver and gold, and has the rights to acquire a 100% interest in six silver and gold mineral properties in Mexico.

Funding for operations has been obtained through share offerings. Future operations (and the ability to meet mineral property option commitments) are dependent upon the company's continuing ability to finance expenditures and achieve profitable operations.

### **Discussion of Operations and Financial Condition**

#### ***Resource Properties***

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

In accordance with the terms of the option agreement, in consideration for payment of the sum of \$3,500 (paid) and other consideration of \$236,954 (paid) by way of reimbursement of costs incurred by Minera Montana from February 28, 2003 up to the date of completion of the revised agreement, the Company has the right to acquire the property interests presently held by Minera Montana and under option, upon completion of payment of the future amounts payable 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 subsidiary to be formed which will be wholly-owned by the Company. The Agreement was entered into on an arms-length basis at the date of acquisition. The controlling shareholders of Minera Montana subsequently became a director and officer of the company.

Minera Montana has agreed to acquire the mineral exploration concessions under an agreement with the underlying property owner, dated July 20, 2000, as amended (the "Jarvis Agreement"). Under the terms of the Jarvis Agreement, Minera Montana has agreed to acquire the concessions under option by completing the following future payment obligations, on a tax free basis (see below), to Jarvis:

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

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January 20, 2004	US \$100,000	(paid)
July 20, 2004	US \$100,000	
January 20, 2005	US \$100,000	
July 20, 2005	US \$150,000	
January 20, 2006	US \$200,000	
July 20, 2006	<u>US \$1,115,000</u>	
Total:	<u>US \$2,000,000</u>	
Mexican IVA tax (see below)	<u>US\$ 300,000</u>	

Payment on a “tax free basis” means that Minera Montana is also obligated to pay the Mexican IVA tax (15%) upon completion of the payments due under the Jarvis Agreement. Minera Montana has the right to terminate the Jarvis Agreement on thirty days notice. The mineral exploration concessions which are the subject of the Jarvis Agreement include concessions which form part of the Tejaman Silver Property and the San Lucas Silver Property, as well as four other mineral property interests. Additional mineral concessions which make up the balance of the Tejaman Silver Property and the San Lucas Silver Property are held by Minera Montana, and will be held for the Company pursuant to the Option Agreement.

The Company, to maintain the options, is also required to pay biannual taxes on the mineral concessions to the Mexican government in January and July of each year. In July 2003, the Company made a biannual payment of MP\$125,747, which is equivalent to approximately \$16,400(CDN). The minimum annual exploration work that is required to maintain the mineral concessions is approximately MP\$475,000, which is equivalent to approximately \$62,000 (CDN).

As part of the acquisition, the principal shareholders of Mineral Montana subscribed for special warrants. The transaction was considered by management to be fundamental to securing the option rights. Accordingly, the fair value component of the stock based transaction in excess of the subscription price of \$350,000 was allocated as a cost of the acquisition.

#### **Tejaman Silver Property, State of Durango, Mexico**

The Tejaman Silver Property, consisting of 21 mineral exploration and exploitation concessions covering about 1,672.05 hectares, is situated in the municipality of Nuevo Ideal, in the state of Durango, Mexico. The Tejaman Property is located in the eastern part of the Sierra Madre Occidental physiographic province in the Llanuras Altas (high plain) subdivision. Elevations on the property average about 2200m and range from about 2050m in Quebrada Escandida to about 2500m in the western part of the property. Elevations up to 3230m occur in the Sierra el Epazote Range to the west of the property with basin and range features in the area generally trending NNW. The region is semi-arid. The area has a temperate climate with cooler temperatures in the winter producing some freezing rain and snow in December through February. A rain season may occur between July and October.

From 1978 to 1981, Consejo de Recursos Minerales (“CRM”), Luismin Mining Corp. (“Luismin”) (now part of Wheaton River Minerals), and Tormex, S.A. (an affiliate of Lacana Mining Corporation) conducted geological and sampling programs on the Tejaman Property. Tormex conducted a second sampling program in 1985, and Luismin conducted additional sampling and underground sampling in 1990. From 1992 to 1994, Exploración y Minería Independencia de México S.A. (“EMISA”), an affiliate of Independence Mining Company, explored the property with surface and underground, geological, geophysical and sampling programs and completed 12 reverse circulation holes totalling 2,030 metres, and 24 diamond drill holes totalling 5,065metres. The EMISA drilling demonstrated the presence of a large, low-grade silver-bearing system with some high-grade feeder veins.

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
 QUARTERLY REPORT - FORM 51  
 AS AT February 29, 2004

Kobex Resources Ltd., a Vancouver, B.C. based junior mining company (“Kobex”), explored the property in 1998 and 1999 with an induced polarization survey and drilled four diamond drill holes totalling 997m.

Drilling programs have been conducted in 1993 by EMISA and in December 1998 by Kobex. EMISA completed 12 reverse circulation holes totaling 2,030 metres and 24-diamond drill holes totaling 5,065 metres. Kobex explored the property in 1998 and 1999 with four diamond drill holes totaling 997m. Significant results from the Kobex drill program are provided in the following table:

*Significant Assays from Kobex Res. 1999 Drill Program.*

Hole	From/To (m)	Interval (m)	Ag(g/t)	Pb%	Zn%
KTJ-1	101.0/110.2	9.2	9.0	n/a	n/a
“	137.2/138.3	1.1	68.0	n/a	n/a
“	164.4/166.4	2.0	42.0	n/a	n/a
“	196.0/220.0	24.0	6.7	n/a	n/a
KTJ-2	217.8/229.4	11.6	26.6	n/a	n/a
“	246.9/247.1	0.2	109.8	n/a	n/a
“	254.0/254.4	0.4	67.9	0.9	3.7
KTJ-3	52.0/96.7	44.7	62.6	n/a	n/a
Including	53.3/53.7	0.4	724.1	1.29	1.94
Including	93.7/95.2	1.5	866.7	1.34	1.94
KTJ-4	27.0/31.5	4.5	103.1	2.17	2.17
“	124.0/124.7	0.7	97.2	2.58	4.08

Previous drilling by EMISA and Kobex has demonstrated a large silver system situated in and around structures that cut LVC rocks in the easterly part of the Sierra Madre Occidental. Several EMISA diamond drill holes contain significant near surface results that suggest good open pit potential. EMISA twinned their first four diamond holes with reverse circulation holes that give similar results. Results from a 2.00 m intersection in one twinned hole assayed 5,036 g/t Ag; 3.90 g/t Au; 2.33% Pb and 2.74% Zn, which demonstrates a high-grade feeder zone potential. One hole drilled by Kobex in the Cerro Prieto area contained 44.7m intersection (from 52.0 to 96.7m) grading 62.6 g/t Ag and supports the bulk mining potential of the zone.

Previous exploration conducted on the Tejaman Silver Property by CRM, Luismin, Tormex, EMISA and Kobex has concentrated on the Mantos and Cerro Prieto zones. Limited previous mining that occurred in the Mantos zone prior to 1910, and in the Cerro Prieto in the 1970s, removed only the highest-grade portions of narrow veins. Recent exploration, by previous operators, has demonstrated that the higher-grade veins are enveloped by alteration zones and stockwork vein zones that contain significant silver and in some cases gold and base metal values over wide intervals. Underground sampling of the Cerro Prieto by Luismin in 1991, returned an average of 160 g/t Ag, 1.26% Pb and 3.1% Zn over the 43.65 metre length of a cross-cut in the footwall of the main (mined) vein. The author was unable to check underground samples but checked 13 Luismin surface channel samples with similar length chip samples. The author’s samples contained an average of 97 g/t Ag and support the presence of a strongly mineralized halo around the main Cerro Prieto vein structure. The author’s samples contain about 60% of the Luismin silver values, which indicates that previous sampling needs to be validated before use in resource calculations.

Sampling of the Cerro Prieto by EMISA produced wide mineralized intervals in three diamond drill holes (TJBD-1, TJBD-2 and TJBD-3) with 24m grading 159 g/t Ag in hole 1; 48.50m grading 83 g/t Ag, and 42.00m grading 78 g/t Ag in hole 2; and 27.70m grading 62 g/t in hole 3.

Previous drilling by EMISA and Kobex has demonstrated a large silver system at Tejaman that is situated in and around structures that cut LVC rocks in the easterly part of the Sierra Madre Occidental. EMISA diamond drill holes TJBD 1-3, 10-15 and 17 contain significant near surface results that suggest good open pit potential. EMISA twinned

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

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their first four diamond holes with reverse circulation holes that give similar results. Twinned holes TJBD-6 and TJCI-11 contained 6m grading 1,400 g/t Ag and 2m of 5,036 g/t Au (also 3.90 g/t Au; 2.33% Pb and 2.74% Zn) that demonstrate high-grade feeder zone potential. Kobex hole KTJ-3, drilled in the Cerro Prieto area contained 44.7m from 52.0 to 96.7m grading 62.6 g/t Ag and supports the bulk mining potential of the zone.

Previous drilling on the Tejaman Property was widely spaced with drill sections at about 100m intervals, however drill sections should be spaced at about 40m intervals for use in resources calculations. Further comparison surface and underground sampling, and twinned drill holes are required to evaluate results of previous exploration programs to allow use of the historic data

No updated resource or reserve has been calculated to comply with NI43-101.

***Exploration Program***

The Company started a 117-hole drill program, totalling approximately 2,000 metres in December 2003. The drill program is expected to cost \$1.3 million. A systematic grid-drill program across the entirety of Tejaman's two major mineralized zones – the Cerro Prieto and the El Manto areas. A systematic grid-drilling approach has the incidental benefit of confirming and upgrading the current inferred resources to the measured and indicated categories, as well as expending the overall defined tonnages and grades at the project.

***Exploration Results***

Management is extremely encouraged by the assay results from its first eight holes of a 117-hole reverse circulation drill program at the Tejaman silver property. The initial assays confirm a better width and grade at Cerro Prieto than indicated in available historical information, resulting in an excellent start to the Tejaman exploration program.

Thirteen holes have been completed to date totalling 2,584 metres. Assay results for the first eight holes completed on the Cerro Prieto zone show thick sequences of silver mineralization with high-grade intersection in hole MMT-001 of 5.80 and 8.14 ounces per tonne, and MMT-007, collared about 50 metres to the north, intersected 17.88 ounces per tonne and 21.80 ounces per tonne.

Additional results from holes 13, 18, 27, 28, 29, 33, and 34 indicate a much larger and higher grade deposit than was originally envisaged by management. Wide intersections (up to 485 feet) in each of holes 13, 18, 27, 28, 29 and 33 exceeded 3 ounces of silver per tonne. Drill hole 18 intersected silver mineralization from surface, and bottomed in similar mineralization at 656 feet (all of the holes were drilled at an angle of 60 degrees from surface), with the widest intersection being 485 feet grading 4.12 ounces of silver per tonne. Another intersection in hole 18 assayed 5.53 ounces of silver per tonne over 20 feet.

Eight "fences" of holes, with each "fence" being 50 meters or 164 feet apart, have been drilled perpendicular to the strike of the mineralization to date. Along the fences, holes have been drilled every 30 meters (98 feet). The better intersections to date have been encountered in the last couple of holes drilled on the eastern end of each of the fences, resulting in the deposit being wide open to the east. In addition, the deposit is open along strike in both directions. (see April 13, 2004 news release for detailed results)

The Cerro Prieto zone, as defined by previous work, measures approximately 500 metres in strike length by 150 metres in width, is open along strike and at depth and is the first zone of a two-zone program. The drill program in this area consists of approximately 36 holes, each spaced on a 30-metre-by-50-metre grid established to confirm and expand this zone on strike and to the northwest.

Cerro Prieto is a structurally controlled mineral system with a northeast-trending vein-shear zone that dips 70 degrees to the northwest. The drill program is designed to test the zone at the surface and at depth. The drill holes are perpendicular to the northeast trend of mineralization and are inclined at 60 degrees to the southeast. Holes are

**OREMEX RESOURCES INC.**  
(formerly *Blackhorn Gold Mines Ltd.*)  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

---

begun near the surface expression of the mineralization and then succeeding holes are moved back so as to cut the mineralization at a greater depth. Drilling has thus far indicated disseminated stockwork mineralization as well as high-grade veins (see drill results).

The rocks that have thus far been encountered at Cerro Prieto are andesite, rhyolite, dacite, tuff and porphyry. The geology appears to be more complex than indicated by the previous information. The mineralization does not appear to have any preference for any particular rock type and is probably related to fracturing.

Upon completion of the drill hole program on the Cerro Prieto zone, drilling will commence on the larger adjacent El Manto zone. The program in this area consists of approximately 81 holes spaced on a similar grid of 30 metres by 50 metres.

**San Lucas Silver Property, State of Durango, Mexico**

The San Lucas Silver Property, consisting of 11 mineral exploration concessions, covering about 925 hectares, is situated near the village of Diez de Octubre (San Lucas de Ocampo), in the state of Durango, Mexico. The San Lucas Property is located near the easterly edge of the Sierra Madre Occidental physiographic province in the Llanuras Altas (High Plains) physiographic subprovince. Elevations on the property average about 1,900 m and range from about 1860m in Arroyo Ojo Caliente to about 2,150 m in the southeast part of the property. Basin and range structures of the area generally trend NNW.

Consejo de Recursos Minerales ("CRM") (1980) sampled the Noche Buena area by collecting 82 samples over a 167 m length of the Veta Grande (El Trio) vein that averaged 1.22 m wide and 2.9 g/t Au, 106.61 g/t Au, 0.94% Pb, and 0.18% Zn, and 29 samples over a 95 m length of the El Relis vein that averaged 0.83 m wide and 13.77 g/t Au, 67.05 g/t Ag, 0.72% Pb and 0.28% Zn. The CRM (1980) sampled the extension of the Veta Grande vein on the adjacent Mina Grande claim by collecting 141 samples over a 610m length of the Veta Grande that averaged 0.90 m wide and 5.6 g/t Au, 248.2 g/t Ag, 1.8% Pb and 0.2% Zn.

The Noche Buena area was sampled by Luismin and Echo Bay. Surface sampling of the Veta Grande and Veta Realez veins and wall rocks by Luismin returned values of 1.35 g/t Au and 73 g/t Ag over 1.5 m to 15.3 g/t Au and 51 g/t Ag over 0.7 m. An underground sample by Luismin assayed 256.0 g/t Au and 391 g/t Ag over 0.75 m. Vuggy quartz stockwork, found between the two major quartz veins, was sampled by Echo Bay and by the Company. The Company's rock chip sampling returned weighted averages of 0.87 g/t Au and 39.9 g/t Ag over 30.5 m. Echo Bay sampling returned values of 0.88 g/t Au and 31.4 g/t Ag over 30 m on one line immediately to the southwest of the Company's sampling and 0.44 g/t Au and 31.2 g/t Ag over 30 m on a second line immediately to the northeast of the Company's sample line. These samples were assayed by Bondar Clegg. A 10-m chip sample, collected by the author of the San Lucas Report about 15 m northeast of the Noche Buena shaft, contained 71.9 g/t Ag and 2.49 g/t Au. The author obtained weighted averages for 3 m and 6 m chip samples of 41.3 g/t Ag and 0.15 g/t Au and 89.5 g/t Ag and 0.73 g/t Au, respectively, which validate underground sampling results obtained by Minera Montana.

No updated resource or reserve has been calculated to comply with NI43-101.

A planned two-phase program of reverse circulation (RC) or down-hole hammer (DHH) drilling with an initial 400 m, Phase 1 program, estimated to cost CAD\$70,000. Contingent on the success of the Phase 1 program, a 2,000 m Phase 2 drill program and metallurgical testing is estimated to cost CAD\$260,000. The initial phase should consist of 2 or 3 holes with one hole used to test at the Noche Buena workings and other holes spaced at 150 m to 200 m to the SW along the Veta

**Discussion of Operations**

The Company incurred a net loss of \$197,022 (2003 – \$5,165) for the period ended February 29, 2004. Expenses for the

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

---

period ended February 29, 2004 are as follows: legal and audit \$6,756 (2003 – nil); bank charges and interest \$563 (2003 – \$20); advertising and promotion \$13,195 (2003 – \$824); investor relations \$29,317 (2003 – nil); office expenses \$14,930 (2003 – \$1,192); rent \$5,535 (2003 – \$3,000); consulting fees \$86,650 (2003 – nil); shareholder information \$17,891 (2003 – nil); stock-based compensation \$12,672 (2003 – nil); and regulatory fees \$20,060 (2003 – \$198). The Company earned \$1,012 of interest income (2003 - \$69) and had a foreign exchange gain of \$4,730 (2003 – nil). During the quarter the Company initiated a market awareness program by retaining National Media Associates (“NMA”) based out of the Los Angeles area. The Company will pay NMA a fee of US\$5,000 per month during a one year term of the agreement. Along NMA, the Company also retains Sundar Communications for investor relations who are paid a fee of CDN\$7,500 per month. Advertising and promotion costs included travel expenses to the Mexican properties for two directors of the Company in this quarter. Office expenditures and rent have increased due to significant increases to day-to-day administration and office costs. Shareholder information costs included updating the website with maps and news releases, news release dissemination costs, AGM mail-out expenses and brochure printing charges. Regulatory and filing fees include transfer agent costs, TSX Venture Exchange filing charges and an S&P filing fee.

Stock-based transactions are required to be recorded at fair values in accordance with section 3870 of the CICA Handbook. The Company recognized stock-based compensation of \$12,672 with respect to options granted to Sundar Communications which ¼ became vested during the period.

Effective December 1, 2003, the Company entered in consulting contracts with certain members of management or related entities, as indicated below:

1. ARH Management Ltd., a non-reporting company controlled by the Chairman of the Company, Anthony Harvey, to provide management consulting services for an initial term of one year for the sum of \$10,000 per month;
2. Sudden Valley Holdings Inc., a non-reporting company controlled by the CFO and Secretary of the Company, James E. Yates, to provide financial consulting services for an initial term of one year for the sum of \$10,000 per month;
3. An amendment to an existing agreement with Dale E. Scholz, Inc., a non-reporting company controlled by President and CEO of the Company, Dale E. Scholz, to provide management and administrative consulting services for an initial term of one year for the sum of US\$9,000 per month. The fees are charged to deferred exploration;
4. Reneau & Associates, an entity controlled by the Chief Geologist of the Company, Randy Reneau, to provide geological consulting services for an initial term of one year for the sum of US\$6,00 per month. The fees are charged to deferred exploration.

Also effective December 1, 2003, non-executive directors (currently Ross O. Glanville and Henry A. Scholz) shall each receive the sum of \$1,000 per month in consideration for serving as outside directors and members of the audit committee.

The Company incurred \$643,095 of deferred exploration during the period, consisting of \$207,803 of acquisition costs and \$435,292 of exploration costs. Acquisition costs consist of property payments and tax payments which are allocated across the properties based on the size of each property. The charges to deferred exploration were as follows:

**Tejamen**

2004

Acquisition costs

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

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Balance, beginning	\$	439,667
Incurred during period		<u>134,179</u>
Balance, ending		573,846

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
 QUARTERLY REPORT - FORM 51  
 AS AT February 29, 2004

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Exploration expenditures	
Camp costs& field supplies	378
Drilling	238,794
Geological consulting	106,839
Labour	22,360
Reports and maps	1,429
Transportation	<u>6,777</u>
	<u>376,577</u>

Balance, beginning	<u>120,367</u>
Balance, ending	<u>496,944</u>

Cumulative mineral property costs \$ 1,070,790

**San Lucas**

Acquisition costs	
Balance, beginning	\$ 184,660
Incurred during period	<u>42,627</u>
Balance, ending	231,287

Exploration expenditures	
Camp costs& field supplies	36
Geological consulting	36,312
Labour	4,112
Reports and maps	49
Transportation	<u>3,022</u>
	<u>43,531</u>

Balance, beginning	<u>39,752</u>
Balance, ending	<u>83,283</u>

Cumulative mineral property costs \$ 314,570

**Mezquetal**

Acquisition costs	
Balance, beginning	\$ 43,286
Incurred during period	<u>13,728</u>
Balance, ending	57,014

Exploration expenditures	
Geological consulting	6,320
Transportation	<u>1,399</u>
	<u>7,719</u>

Balance, beginning	<u>6,938</u>
Balance, ending	<u>14,657</u>

Cumulative mineral property costs \$ 71,671

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

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**La Parrilla**

Acquisition costs	
Balance, beginning	\$ 6,683
Incurred during period	<u>2,119</u>
Balance, ending	8,802

Exploration expenditures	
Geological consulting	796
Transportation	<u>398</u>
	1,194

Balance, beginning	<u>1,070</u>
Balance, ending	<u>2,264</u>

Cumulative mineral property costs \$ 11,066

**EI Sol**

Acquisition costs	
Balance, beginning	\$ 22,249
Incurred during period	<u>7,056</u>
Balance, ending	29,305

Exploration expenditures	
Geological consulting	2,646
Transportation	<u>1,323</u>
	3,969

Balance, beginning	<u>3,564</u>
Balance, ending	<u>7,533</u>

Cumulative mineral property costs \$ 36,838

**Chalchuites**

Acquisition costs	
Balance, beginning	\$ 12,909
Incurred during period	<u>4,094</u>
Balance, ending	17,003

Exploration expenditures	
Geological consulting	2,113
Transportation	<u>189</u>
	2,302

Balance, beginning	<u>2,069</u>
Balance, ending	<u>4,371</u>

Cumulative mineral property costs \$ 21,374

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

---

**OREMEX RESOURCES INC.**  
(formerly Blackhorn Gold Mines Ltd.)  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

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***Related Party Transactions***

Due to related parties:

	2004	2003
	\$	\$
Company, controlled by a director and officer	14,222	-
Officers	-	-
	<u>14,222</u>	<u>-</u>

The amounts due to related parties are non-interest bearing and have no fixed terms of repayment.

During the period ended February 29, 2004, the Company incurred the following amounts in transactions with directors and companies with common directors:

	2004	2003
	\$	\$
Consulting fees	81,650	-
Mineral property exploration	<u>143,289</u>	<u>-</u>
	<u>224,939</u>	<u>-</u>

***Investor Relations***

On September 24, 2003 the Company entered into an investor relations agreement with Sundar Communications Group Inc. ("Sundar"). In return for the investor relations services the Company has agreed to:

- a) Payment of \$7,500 on the first day of every month following listing.
- b) Grant "Sundar" the option to purchase up to 200,000 common shares of the company for a two year period with an exercise price of \$0.50 per share. Under the agreement, the options will vest as to one quarter on each of those dates which falls three, six, nine and twelve months after the date the common shares begin trading. The options will expire at the earlier of 2 years from the date the shares begin trading or upon termination of the service agreement.

The investor relations agreement may be terminated after 12 months from the date of listing, with 30 days written notification by either party.

On February 25, 2004, the Company retained the Los Angeles-area firm of National Media Associates ("NMA") to conduct media awareness programs on behalf of the company. NMA is headed by George Duggan, a long-term media-relations specialist in the natural resource and gold exploration sectors. The Company will pay NAM a monthly fee of US\$5,000 during the one-year term of the agreement, which is subject to termination at any time after the first four months with a 30 days written notice.

***Subsequent Events***

- 1) On April 2, 2004, the Company announced it has engaged Canaccord Capital Corporation and First Associates Investments Inc. to act as agents in a brokered private placement of up to five million units at \$1.10 per unit for a total of \$5.5-million. Each unit will consist of one common share and one-half warrant, each full warrant giving the holder the right to purchase an additional common share at \$1.25 within a 12-

**OREMEX RESOURCES INC.**  
*(formerly Blackhorn Gold Mines Ltd.)*  
QUARTERLY REPORT - FORM 51  
AS AT February 29, 2004

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month period. The shares and any shares issued upon exercise of the warrants will be subject to a four-month hold period. Proceeds of the financing is planned for expanding the current drill hole program on the Tejamen silver property in the State of Durango, Mexico.

An 8% cash commission, of which the agents may elect to be paid up to half in units (having the same terms as the units offered) and agent's warrants equal to 10% of the offering sold entitling the agents to acquire one unit at the offering price for a period of one year from the closing. The private placement is subject to TSX Venture Exchange acceptance.

2) On April 13, 2004, results of holes 13, 18, 27, 28, 29 and 33 were released by the Company.

**Financings, Principal Purposes and Milestones**

On April 2, 2004, the Company announced it has engaged Canaccord Capital Corporation and First Associates Investments Inc. to act as agents in a brokered private placement of up to five million units at \$1.10 per unit for a total of \$5.5-million. Each unit will consist of one common share and one-half warrant, each full warrant giving the holder the right to purchase an additional common share at \$1.25 within a 12-month period. The shares and any shares issued upon exercise of the warrants will be subject to a four-month hold period. Proceeds of the financing is planned for expanding the current drill hole program on the Tejamen silver property in the State of Durango, Mexico.

An 8% cash commission, of which the agents may elect to be paid up to half in units (having the same terms as the units offered) and agent's warrants equal to 10% of the offering sold entitling the agents to acquire one unit at the offering price for a period of one year from the closing. The private placement is subject to TSX Venture Exchange acceptance.

**Liquidity and Solvency**

The financial statements from Schedule A have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

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	February 29 2004	February 28, 2003
Deficit	\$ 1,696,091	\$ 570,847
Working capital (deficiency)	2,296,697	(23,847)

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