

**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 Oremex Resources Inc. (the “Company”) have been prepared by and are the responsibility of the Company’s management.

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

**OREMEX RESOURCES INC.**

**FINANCIAL STATEMENTS**  
**(Unaudited - Restated)**

**FOR THE NINE MONTHS ENDED**

**August 31, 2006**

# OREMEX RESOURCES INC.

## BALANCE SHEETS

	August 31 2006 (unaudited)	November 30 2005 (audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,589,622	\$ 1,103,925
Marketable securities (note 3)	430,000	-
Amounts receivable	11,417	9,746
Prepaid expenses	44,577	16,272
	6,075,616	1,129,943
<b>Equipment</b> (note 4)	48,635	35,906
<b>Mineral Property Interests</b> (note 5 and schedule)	8,249,363	6,672,677
	\$ 14,373,614	\$ 7,838,526
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 80,640	\$ 83,837
	80,640	83,837
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (note 6)	16,314,805	9,430,048
<b>Contributed Surplus</b> (note 7)	2,176,034	1,833,086
<b>Deficit</b>	(4,197,865)	(3,508,445)
	14,292,974	7,754,689
	\$ 14,373,614	\$ 7,838,526

Related party transactions (note 8)

Commitments (note 9)

### On behalf of the Board:

“Iain MacPhail” Director  
Iain MacPhail

“Ross Glanville” Director  
Ross O. Glanville

The accompanying notes are an integral part of these financial statements.

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

	Three Months Ended		Nine Months Ended	
	Aug. 31, 2006	Aug. 31, 2005	Aug. 31, 2006	Aug. 31, 2005
<b>ADMINISTRATIVE EXPENSES</b>				
Accounting and audit	\$ 24,386	\$ 6,000	\$ 54,673	\$ 43,395
Administration	23,080	8,149	48,356	37,472
Amortization	4,895	3,567	9,689	7,279
Directors fees	30,000	6,000	67,500	19,000
Insurance	4,975	4,040	14,406	5,509
Legal	22,021	10,072	49,485	48,426
Management fees and salaries	47,271	49,579	108,723	255,356
Office expenses	16,183	13,548	54,984	26,543
Regulatory and filing fees	7,981	2,705	20,119	20,610
Rent	6,239	6,929	24,730	16,220
Shareholder relations	47,216	37,836	78,607	91,272
Stock-based compensation	89,671	108,744	541,507	170,974
Travel	29,704	6,331	74,151	21,977
	353,622	263,500	1,146,930	764,033
<b>OTHER INCOME</b>				
Interest income	67,623	7,780	78,387	33,562
Foreign exchange gain (loss)	(661)	31	(927)	16,748
Loss on sale of assets	-	-	(9,217)	-
Gain on sale of property	389,267	-	389,267	-
	456,229	7,811	457,510	50,310
<b>INCOME (LOSS) FOR THE PERIOD</b>	102,607	(255,689)	(689,420)	(713,723)
<b>DEFICIT, beginning of period</b>	(4,300,472)	(2,954,628)	(3,508,445)	(2,496,594)
<b>DEFICIT, end of period</b>	\$ (4,197,865)	\$ (3,210,317)	\$ (4,197,865)	\$ (3,210,317)
<b>BASIC AND DILUTED (INCOME) LOSS PER SHARE</b>	\$ 0.003	\$ (0.01)	\$ (0.02)	\$ (0.03)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - basic and diluted</b>	36,572,271	25,628,992	30,692,301	25,610,926

The accompanying notes are an integral part of these financial statements.

# OREMEX RESOURCES INC.

## STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	Aug. 31, 2006	Aug. 31, 2005	Aug. 31, 2006	Aug. 31, 2005
<b>Cash flows from (used in) operating activities</b>				
Income (loss) for the period	\$ 102,607	(255,689)	\$ (689,420)	\$ (713,723)
Items not involving cash:				
Amortization	4,895	3,567	9,690	7,279
Loss on sale of assets	-	-	9,235	-
Gain on sale of property	(389,267)	-	(389,267)	-
Stock-based compensation	89,671	108,744	541,507	170,974
	(192,094)	(143,378)	(518,255)	(535,470)
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	45,879	19,986	(1,671)	(8,909)
(Decrease) increase in accounts payable	(18,071)	43,177	(3,197)	27,259
Increase in prepaid expenses	(12,354)	(1,649)	(28,305)	(23,349)
Net cash used in operating activities	(176,640)	(81,864)	(551,428)	(540,469)
<b>Cash flows from (used in) investing activities</b>				
Mineral interest acquisition costs	(380,641)	(204,213)	(666,118)	(409,474)
Exploration of mineral property interests	(513,783)	(561,782)	(985,321)	(1,728,362)
Proceeds from sale of property	40,000	-	40,000	-
Sale of property costs	(6,000)	-	(6,000)	-
Proceeds from sale of equipment	-	-	7,888	-
Purchase of equipment	(11,474)	(17,776)	(39,522)	(17,776)
Net cash used in investing activities	(871,898)	(783,771)	(1,649,073)	(2,155,612)
<b>Cash flows from financing activities</b>				
Proceeds from private placement, net	-	-	6,441,448	-
Proceeds from options exercised	232,250	-	244,750	25,000
Net cash provided by financing activities	232,250	-	6,686,198	25,000
<b>Increase (decrease) in cash and cash equivalents</b>	(816,288)	(865,635)	4,485,697	(2,671,081)
<b>Cash and cash equivalents, beginning of period</b>	6,405,910	1,634,935	1,103,925	3,440,381
<b>Cash and cash equivalents, end of period</b>	\$ 5,589,622	769,300	\$ 5,589,622	\$ 769,300

Supplementary cash flow information (note 10)

The accompanying notes are an integral part of these financial statements.

# OREMEX RESOURCES INC.

## SCHEDULE OF MINERAL PROPERTY INTERESTS

Nine Months Ended August 31, 2006 and Year Ended November 30, 2005

	Tejamen	San Lucas	Other	Total
<b>Acquisition Costs</b>				
Balance, November 30, 2004 (audited)	\$ 739,689	\$ 278,663	\$ 145,865	\$ 1,164,217
Property option payments	364,477	26,638	72,496	463,611
Property tax payments	22,711	12,568	4,313	39,592
Balance, November 30, 2005	1,126,877	317,869	222,674	1,667,420
<b>Exploration Expenditures</b>				
Balance, November 30, 2004 (audited)	2,898,049	149,688	49,970	3,097,707
Assaying	199,530	92,738	-	292,268
Camp costs and field supplies	120,243	35,670	120	156,033
Drilling	515,327	197,137	-	712,464
Exploration advances	191,154	-	-	191,154
Geological consulting	260,609	44,912	11,040	316,561
Labour	135,453	17,730	-	153,183
Reports and maps	1,286	2,266	-	3,552
Transportation	71,761	7,278	3,296	82,335
Balance, November 30, 2005	4,393,412	547,419	64,426	5,005,257
<b>Mineral Property Interests -</b>				
Nov. 30, 2005 (audited)	\$ 5,520,289	\$ 865,288	\$ 287,100	\$ 6,672,677
<b>Acquisition Costs</b>				
Balance, November 30, 2005 (audited)	1,126,877	317,869	222,674	1,667,420
Property option payments	397,196	126,383	121,754	645,333
Property tax payments	11,911	6,591	2,262	20,764
Cost of property sold			(67,198)	(67,198)
Balance, August 31, 2006	1,535,984	450,843	279,492	2,266,319
<b>Exploration Expenditures</b>				
Balance, November 30, 2005 (audited)	4,393,412	547,419	64,426	5,005,257
Administration	65,096	-	-	65,096
Assaying	43,412	-	-	43,412
Camp costs and field supplies	77,164	5	32	77,201
Drilling	305,124	-	-	305,124
Exploration advances	163,396	-	-	163,396
Geological consulting	211,259	3,198	4,597	219,514
Labour	29,985	-	-	29,985
Reports and maps	111	-	-	111
Road construction	4,112	-	-	4,112
Transportation	72,473	2,764	2,594	77,831
Cost recovered on sale of property			(7,535)	(7,535)
Balance, August 31, 2006	5,365,544	553,386	64,114	5,983,044
<b>Mineral Property Interests -</b>				
August 31, 2006	\$ 6,901,528	\$ 1,004,229	\$343,606	\$ 8,249,363

The accompanying notes are an integral part of these financial statements.

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

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**1. NATURE OF OPERATIONS**

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

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

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

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**2. BASIS OF PRESENTATION**

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The unaudited interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the Company's audited annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended November 30, 2005, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These interim financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

**3. MARKETABLE SECURITIES**

Marketable securities are carried at the lower of cost or realizable value. At August 31, 2006 the Company held 200,000 shares of First Majestic Resources Corp. acquired pursuant to a property sale.

	August 31, 2006	November 30, 2005
Marketable securities	\$430,000	-

**4. EQUIPMENT**

	August 31, 2006 (unaudited)			Nov. 30, 2005 (audited)	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Computer equipment	\$ 25,321	\$ 5,788	\$ 19,533	\$ 13,421	
Leasehold improvements	2,909	218	2,691	-	
Office furniture and equipment	15,041	1,128	13,913	11,537	
Software	6,959	2,946	4,013	-	
Site vehicles	18,400	9,915	8,485	10,948	
	\$ 68,630	\$ 19,995	\$ 48,635	\$ 35,906	

**5. MINERAL PROPERTY INTERESTS**

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

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

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

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**5. MINERAL PROPERTY INTERESTS** (continued)

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Minera Montana has agreed to acquire the mineral exploration concessions under an option agreement with the underlying property owner, dated July 20, 2000, as amended (the "Jarvis Agreement"). Under the terms of the Jarvis Agreement (subsequently amended on October 28, 2005), Minera Montana has the right to acquire the concessions by making payments totaling US\$2,118,000 (approximately \$2,347,676), of which US\$1,200,000 (approximately \$1,470,264) has been paid to August 31, 2006, on a tax-free basis. The remaining cash payments to Jarvis are due as follows:

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

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

In order to maintain the options in good standing, the Company is required to pay property taxes on the mineral concessions to the Mexican government in January and July of each year. During the nine months ended August 31, 2006, the Company made payments of \$20,764 [Mexican Pesos ("MP") \$200,297]. In the year ended November 30, 2005, total payment of \$39,252 (MP\$335,595) was made. The minimum annual exploration work that is required to maintain the mineral concessions under option is approximately \$48,500 (MP\$475,000).

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

On June 6, 2006, the Company, Minera Montana, Canasil Resources Inc. ("Canasil", TSXV: CLZ) and its wholly-owned subsidiary Minera Canasil S.A. de C.V., signed a letter of agreement granting Canasil the right to acquire 100% interest in the Mezquital silver-zinc-lead claims, in which the Company and Minera Montana have an option to earn a 100% interest.

The purchase agreement requires Canasil to issue 650,000 common shares and 75,000 share purchase warrants to the Company, upon approval of the agreement by the TSX Venture Exchange and transfer of the claim titles, as full payment for 100% interest in the Mezquital claims. Each warrant will entitle the Company to acquire one common share of Canasil at a price of \$0.50 within 12 months of the approval of the final agreement by the TSX Venture Exchange.

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

**6. SHARE CAPITAL**

(a) **Common Shares**

Authorized:  
Unlimited number of common shares, without par value

Issued and outstanding:

	<b>Number of Shares</b>	<b>Amount</b>
Balance, November 30, 2004 (audited)	25,578,992	\$ 8,665,735
Shares issued:		
Options exercised (i)	50,000	25,000
Private placement - units (ii)	1,470,000	764,400
Share issue costs	-	(36,400)
Transfer from contributed surplus (i)	-	11,313
Balance, November 30, 2005 (audited)	27,098,992	9,430,048
Shares issued:		
Options exercised (iii)	450,000	244,750
Private placement - units (iv)	9,333,333	7,000,000
Share issue costs	-	(558,552)
Transfer from contributed surplus (iii)	-	198,559
Balance, August 31, 2006 (unaudited)	36,882,325	\$ 16,314,805

- i. During the year ended November 30, 2005, the Company received \$25,000 from the exercise of 50,000 stock options at a price of \$0.50 per share. These stock options had a previously determined fair value of \$11,313, which has been allocated from contributed surplus to share capital.
- ii. On September 22, 2005, the Company closed a private placement for 1,400,000 units at a price of \$0.52 per unit for gross proceeds of \$764,400. Each unit comprises one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.65 until March 20, 2007. The Company issued an additional 70,000 units as a finders' fee in connection with the financing.
- iii. During the nine months ended August 31, 2006, the Company received \$244,750 from the exercise of 450,000 stock options at prices ranging from \$0.50 to \$0.57 per share. These stock options had a previously determined fair value of \$0.30 or \$0.62 per option, which has been allocated from contributed surplus to share capital.

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

**6. SHARE CAPITAL** (continued)

(a) **Common Shares** (continued)

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

(b) **Share Purchase Options**

The Company has a rolling stock option plan whereby options granted may not exceed 10% of the total number of shares issued and outstanding of the Company from time to time on an undiluted basis. The exercise price of each option shall not be less than the fair market value in accordance with the policies of the TSX Exchange.

Changes to the balance of fully vested options as at the nine months ended August 31, 2006 and the year ended November 30, 2005 are as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Number of Years to Expiry
Options outstanding and exercisable at November 30, 2004 (audited)	1,435,000	\$ 0.62	3.55
Granted (i)	1,015,000	0.80	3.84
Exercised	(50,000)	0.50	-
Cancelled	(725,000)	0.63	-
Options outstanding and exercisable at November 30, 2005 (audited)	1,675,000	0.69	3.61
Granted (ii)	1,300,000	0.77	4.67
Exercised	(450,000)	0.54	-
Options outstanding and exercisable at August 31, 2006 (unaudited)	2,525,000	\$ 0.64	3.72

The Company granted stock options to various officers, directors and consultants of the Company:

- i. An aggregate of 1,015,000 options to purchase 715,000 common shares at a price of \$0.52 per share, 150,000 common shares at a price of \$0.63 per share and 150,000 common shares at a price of \$1.02 per share. All of the options issued vested during the year and are exercisable for a period of five years from the grant date.

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

**6. SHARE CAPITAL** (continued)

(b) **Share Purchase Options** (continued)

- ii. An aggregate of 1,300,000 options to purchase 225,000 common shares at a price of \$0.57 per share, 775,000 common shares at a price of \$0.89 per share, 250,000 common shares at a price of \$0.60 per share, and 50,000 common shares at a price of \$0.73 per share. All of the options issued vested immediately and are exercisable for a period of five years from the grant date.

Option expiry dates are as follows:

Number	Exercise Price	Expiry
635,000	\$0.50	November 18, 2008
100,000	\$0.52	November 19, 2008
150,000	\$0.52	December 15, 2009
125,000	\$0.52	January 25, 2010
190,000	\$0.52	May 31, 2010
200,000	\$0.52	September 21, 2010
50,000	\$0.52	November 23, 2010
775,000	\$0.89	May 11, 2011
250,000	\$0.60	July 17, 2011
50,000	\$0.73	August 21, 2011
<b>2,525,000</b>		

(c) **Share Purchase Warrants**

For the nine months ended August 31, 2006 and the year ended November 30, 2005, share purchase warrants were outstanding as follows:

	Warrants	Weighted Average Exercise Price	Weighted Average Number of Years to Expiry
Balance, November 30, 2004 (audited)	1,888,881	\$ 1.07	0.46
Issued (i)	735,000	0.65	1.50
Expired	(1,888,881)	1.07	-
Balance, November 30, 2005 (audited)	735,000	0.65	1.33
Issued (ii)	4,666,667	0.95	1.22
Expired	-	-	-
<b>Balance, August 31, 2006 (unaudited)</b>	<b>5,401,667</b>	<b>\$ 0.91</b>	<b>1.13</b>

**6. SHARE CAPITAL** (continued)

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

(c) **Share Purchase Warrants** (continued)

- i. On September 22, 2005, the Company issued 700,000 warrants as part of a private placement of 1,400,000 units. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.65 until March 20, 2007. The Company issued an additional 35,000 warrants, as part of a finders' fee of 70,000 units, in connection with the financing.
- ii. On May 19, 2006, the Company issued 4,666,667 warrants as part of a private placement for 9,333,333 units. Each unit consists of one common share and one-half of one transferable warrant. Each whole warrant entitling the holder to purchase one common share at \$0.95 per share until October 18, 2007, subject to an acceleration provision such that if, at any time following four months after the closing of the financing, the closing price per share on the TSX Venture Exchange is \$2.00 or higher for twenty consecutive business days, then the Company may give the investors notice that the warrants must be exercised or they will expire within 30 days of such notice. All securities are subject to a four-month hold period.

(d) **Escrow Shares**

As at August 31, 2006, 990,000 shares (November 30, 2005 – 1,980,000) were held in escrow subject to trading restrictions. The release date for the 990,000 shares is November 18, 2006.

**7. CONTRIBUTED SURPLUS**

During the nine months ended August 31, 2006 and the year ended November 30, 2005, the Company executed a number of transactions involving share rights for consultants and key personnel. The Company recorded contributed surplus arising from stock based compensation related to these rights as follows:

Balance, November 30, 2004 (audited)	\$ 1,516,552
Stock-based compensation expense during the year ended November 31, 2005 (a)	327,847
Reallocation of stock-based compensation expense recognized previously pursuant to exercise of 50,000 stock options	(11,313)
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Balance, November 30, 2005 (audited)	1,833,086
Stock-based compensation expense during the nine months ended Aug. 31, 2006 (b)	478,298
Additional stock-based compensation recognized upon repricing of options (c)	63,209
Reallocation of stock-based compensation expense recognized previously pursuant to exercise of 450,000 stock options	(198,559)
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Balance, August 31, 2006 (unaudited)	<u>\$ 2,176,034</u>

**7. CONTRIBUTED SURPLUS** (continued)

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

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- (a) The Company recorded stock-based compensation expense of \$327,847 on the 225,000 stock options granted to directors, officers and consultants of the Company during the year ended November 30, 2005.
- (b) For the nine months ended August 31, 2006, the Company recorded stock-based compensation expense of \$478,298 with respect to 1,300,000 stock options granted to directors and officers of the Company.
- (c) During the prior fiscal year, 765,000 stock options granted to officers, consultants and directors were repriced to \$0.52 per share from exercise prices ranging between \$0.80 and \$1.02. A modification to an outstanding share based award that results in an improvement to the award requires the incremental fair value increase to be measured and recorded as additional stock-based compensation in the period of modification. The repricing of these options was approved by the shareholders at the Annual General Meeting held in May 2006. The fair value increase of repricing the 765,000 stock options has been determined to be \$63,209 using the Black-Scholes option pricing model.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. The Company determined the fair value of the granted stock options on the date of the grant using the Black Scholes option pricing model with the following assumptions:

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

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
Nine Months Ended August 31, 2006  
(Unaudited)

**8. RELATED PARTY TRANSACTIONS**

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

	Nine Months Ended August 31 2006	Nine Months Ended August 31 2005
Stock-based compensation (note 6)	\$ 390,714	\$ 53,600
Consulting fees (note 9)	12,952	140,187
Deferred mineral property exploration:		
Drilling payments (a)	305,124	922,362
Geological consulting, field supplies, transportation, and labour (a)	534,852	205,313
Acquisition payments and assays (a)	709,509	712,110
Geological consulting, travel and field supplies (b)	91,765	106,858
	<b>\$ 2,044,916</b>	<b>\$ 2,140,430</b>

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

On November 16, 2005, the Company passed a resolution to compensate committee members. The resolution was updated on May 11, 2006. Director compensation totaled \$67,500 for the nine months ended August 31, 2006 (2005 – \$19,000).

Included in amounts receivable at August 31, 2006 is \$2,819 receivable from a director. Included in accounts payable and accrued liabilities at August 31, 2006, is \$6,660 (August 31, 2005 - \$11,913) due to a company controlled by a director and \$6,000 due to a director (August 31, 2005 - \$nil).

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
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(Unaudited)

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**9. COMMITMENTS**

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- (a) On November 30, 2003, the Company entered into an agreement for the provision of management and technical services from a company controlled by an officer and director. Compensation under the agreement was US\$9,000 per month. On May 31, 2005, this contract was amended to US\$5,400 per month. On November 16, 2005, this contract was renewed for a further six months. Effective May 1, 2006, compensation was reinstated to US\$9,000 per month.
- (b) On November 30, 2003, the Company entered into an agreement for the provision of management and technical services from a company controlled by an officer and director. Compensation under the agreement was \$9,346 per month for an initial term of one period and renewed annually until rescinded. On May 31, 2005, this contract was amended to \$4,673 per month. The contract expired on November 30, 2005.
- (c) On November 30, 2003, the Company entered into an agreement for the provision of management and administrative services from a company controlled by an officer and director. Compensation under the agreement was \$9,346 per month for an initial term of one period and renewed annually until rescinded. On May 31, 2005, this contract was amended to \$4,673 per month. The contract expired on November 30, 2005.
- (d) On November 30, 2003, the Company retained the services of a chief geologist principally for its Mexican exploration programs. Compensation under the agreement was US\$6,000 per month over the initial term of one year subject to renewal until rescinded. The contract was subsequently amended to retain his services without fixed remuneration. On December 31, 2004 the contract was terminated.
- (e) On May 31, 2005, the Company entered into an agreement for the provision of management services by a senior officer. Compensation under the agreement was \$5,000 per month for the initial term of three months and renewed quarterly until rescinded. On November 16, 2005, this contract was renewed for a further eighteen months. On May 1, 2006 the contract was amended to increase compensation to \$7,000 per month. The contract was terminated on September 1, 2006.
- (f) On December 20, 2005 the Company entered into an agreement for the provision of management services by a senior officer. Compensation under the agreement was \$5,500 per month. Under the agreement, 225,000 share purchase options were granted that are exercisable at a price of \$0.57 per share for a period of up to five years. All options were exercised during the period. The management services agreement was cancelled February 15, 2006.
- (g) On May 11, 2006 the Company entered into an agreement for the provision of corporate finance advisory services for a period of six months at \$7,500 per month. The contract allowed for termination subject to one month's notice. The contract was terminated on September 30, 2006 for an effective date of October 31, 2006.
- (h) On July 17, 2006, the Company entered into an employment agreement with a senior officer. Compensation under the agreement is \$13,750 per month for the initial term ending November 30, 2006, and \$16,666 per month until November 30, 2007. The contract term ends November 30, 2009. Under the agreement, 250,000 share purchase options were granted that are exercisable at a price of \$0.60 per share for a period of up to five years.

**OREMEX RESOURCES INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
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**10. SUPPLEMENTARY CASH FLOW INFORMATION**

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

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**11. SEGMENTED INFORMATION**

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The Company operates in a single industry segment. Assets by geographic location are as follows:

	August 31 2006	November 30 2005
Mexico	\$ 8,249,363	\$ 6,672,677
Canada	6,124,251	1,165,849
	<u>\$ 14,373,614</u>	<u>\$ 7,838,526</u>

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**12. SUBSEQUENT EVENT**

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On September 5, 2006, the Company entered into an employment agreement with a senior officer. Compensation under the agreement is \$5,000 per month, and the grant of 100,000 stock options under the incentive option plan. The options are exercisable at a price of \$0.70 per share for a period of five years.

**OREMEX RESOURCES INC.**  
*Management's Discussion & Analysis*  
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**EFFECTIVE DATE**

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of Oremex Resources Inc. ("the Company") for the nine month period ended August 31, 2006 and incorporates certain information from the prior three fiscal years. This MD&A should be read in conjunction with the unaudited financial statements of the Company for the nine months ended August 31, 2006 and the audited financial statements for the year ended November 30, 2005. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise. The effective date of this Management's Discussion and Analysis is October 25, 2006. This MD&A contains statements that constitute "forward-looking" statements and other cautionary notices (Refer to "Forward Looking Statements and Estimates" in this MD&A).

**OVERALL PERFORMANCE**

The Company is an active exploration and development company with its primary focus on the acquisition and development of mineral deposits in Mexico. Through an agreement with Minera Montana S. de R.L. de C.V. ("Montana"), the Company obtained the right to acquire five properties in the State of Durango and one property in the State of Zacatecas. In addition the Company has acquired one property in the State of Sinaloa and one property in the State of Sonora. Since November 2003 the Company has made significant progress in advancing development of its key property, the Tejaman silver property.

During the quarter, the Company's focused on a number of strategic initiatives:

1. Completion of a diamond drilling program at the Tejaman property to provide larger samples for metallurgical and rock mechanics testing, as well as to further delineate the mineral resource.
2. Completion of a Request for Proposal ("RFP") process for an Independent Preliminary Assessment Study at the Tejaman property and selection of a engineering firm to complete that study.
3. Initiation of an RFP process for a rock mechanics study at the Tejaman property.
4. Completion of a surface sampling program at the San Lucas property. Assay results are pending.
5. Completion of the sale of the La Parilla property to First Majestic Resources Corp. and advancement of the sale of the Mezquital property to Canasil Resources Inc. Both properties are considered non-core to the Company.
6. Strengthening of the management team with the hiring of a new Chief Executive Officer and a Senior Manager, Communications and Administration. Subsequent to the end of the quarter, a new Chief Financial Officer ("CFO") was hired to replace the previous CFO.

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**RESULTS OF OPERATIONS**

**TEJAMEN, DURANGO**

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

Drilling began at Tejamen in December 2003 and by the end of fiscal year 2005 the Company had completed 217 reverse circulation drill holes totaling approximately 36,000 metres on the project. During the second quarter the Company released results of a report prepared by Wardrop Engineering Inc ("Wardrop"). The Wardrop NI 43-101 report shows that "Inferred Mineral Resources" amounted to 22.6 million tonnes at a grade of 66.9 grams per tonne ("gpt") silver and 0.05 gpt gold. Contained ounces for the two mineral zones (Cerro Prieto and Los Mantos) were calculated to be 50.8 million ounces of silver equivalent. A cutoff grade of 20 gpt (0.64 ounces per tonne) silver equivalent was used for the calculation.

Six samples were prepared and submitted for metallurgical testing by McClelland Labs Inc. of Sparks, Nevada. The selected samples represent a composite of test material. The average silver recovery for the two columns was 78 percent. These results were obtained over 106 days of leaching for one of the columns and 162 days of leaching for the other. The Company is pleased with these results as the testing indicates the material is amenable to processing using heap leaching technology. Data suggests that lime and cyanide usage are modest.

During the quarter, the Company completed 1,500 metres of diamond drilling to provide larger samples for metallurgical and rock mechanics testing as well as to further delineate the resource.

Also during the quarter, the Company issued a Request for Proposals for an Independent Preliminary Assessment Study as well as for a geotechnical study to complete an initial evaluation of slope design for the Tejamen property.

Subsequent to the quarter the Company received the results of the independent Preliminary Assessment Study. In order to complete the study Snowden Mining Industry Consultants utilized the results of the independent resource study by Wardrop developing a base case mining scenario that defined an optimized pit shell containing 21.7 million tonnes grading 51.9 gpt silver and 0.023 gpt gold.

Based on the cost and productivity assumptions provided in the Preliminary Assessment Study, Snowden concluded that a 10,000 tonne per day (3.65 million tonnes per year) surface mining project and heap leach processing system could generate a profitable operation at an average silver price of US\$8 per ounce (approximately US\$0.26 per gram) and process recoveries for silver averaging 65 percent or greater over the life of the

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mine. Preliminary metallurgical testwork, referenced in earlier text, has indicated silver recoveries in excess of 70 percent.

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

NPV Sensitivity to Metal Value

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

Also subsequent to the end of the quarter Call & Nicholas Inc. were retained to conduct the geotechnical study. A site visit was conducted to examine rock conditions in the field and to select samples for laboratory testing.

**SAN LUCAS, DURANGO**

The San Lucas property, located 86 km north of the city of Durango and accessed via paved highway, consists of 18 claims totaling approximately 1,033 hectares.

San Lucas consists of a series of northeast trending mineralized shear zones in volcanic rocks traceable along strike for about 3,000 m. In fiscal year 2005 the Company drilled 19 reverse circulation drill holes totaling 3,042 m across one of the mineralized zones. Drill holes, spaced approximately 100 m apart along the northeast striking structure, indicate a large disseminated zinc, lead, silver and gold system. The mineralization is traced along a strike length of about 1,700 m with widths up to 70 m. The mineralization is open along strike and to depth. A surface sampling program was completed during the quarter on a second sheared and altered system on the property. Assay results are pending. A detailed mapping program and second phase of reverse circulation drilling is planned for the property.

**LA PARILLA, DURANGO**

The La Parilla property, located 52 km east-southeast of the city of Durango, consists of two claims covering approximately 25 hectares. During the quarter, the Company completed the sale of the property to First Majestic Resources Corp. ("First Majestic") for \$40,000 and 200,000 common shares of First Majestic at a deemed price of \$2.15 per share for gross proceeds of \$470,000. The carrying value of the La Parilla claim group at the time of the sale was \$74,733. The Company realized a gain during the quarter from

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this sale of \$389,267 net of expenses. Subsequent to August 31, 2006, the Company was able to realize \$349,921, after commissions, from the sale of the shares of First Majestic.

MEZQUITAL, DURANGO

The Mezquital silver-lead-zinc property, located 63 km southeast of the city of Durango, consists of three claims covering approximately 161 hectares. During the quarter the Company agreed to sell the claims to Canasil Resources Inc. ("Canasil"). On June 6, 2006, a purchase agreement was signed whereby Canasil will issue to the Company 650,000 common shares and 75,000 share purchase warrants. Each warrant will entitle the Company to acquire one common share of Canasil at a price of \$0.50 within twelve months of the approval of the final agreement by the TSX Venture Exchange. Transfer of title to the claims is in progress.

CHALCHIHUITES, ZACATECAS

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

EL SOL, DURANGO

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

MACO, SINALOA

The Maco property, located near San Blas, Sinaloa, is comprised of a single claim covering 5,000 hectares. The claim covers a large area of prospective gold/copper porphyry mineralization. During the first quarter of fiscal 2006, rock chip sampling of a copper-stained cliff was undertaken. Results are encouraging and further work is planned for fiscal 2007. The Company has not performed any field work at the property during the quarter.

NAVIDAD, SONORA

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

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

The following summary of financial information is taken from the audited annual financial statements of the Company for 2005, 2004 and 2003. The effect of applying the treasury stock method to the Company's loss per share calculation is anti-dilutive. Therefore, basic and diluted losses per share are equal for the years presented.

**Selected Annual Financial Information**

<b>(Audited)</b> <b>(Dollars expressed as \$thousands)</b>	<b>Nov. 30,</b> <b>2005</b>	<b>Nov. 30,</b> <b>2004</b>	<b>Nov. 30,</b> <b>2003</b>
a) Total revenues	Nil	Nil	Nil
b) Loss before discontinued operations and extraordinary items	\$(1,012)	\$(998)	\$(933)
c) Basic and diluted loss per share	\$(0.04)	\$(0.05)	\$(0.26)
d) Net loss for the year	\$(1,012)	\$(998)	\$(933)
e) Basic and diluted loss per-share	\$(0.04)	\$(0.05)	\$(0.26)
f) Total assets	\$7,839	\$7,756	\$3,863
g) Total long-term financial liabilities	Nil	Nil	Nil
h) Cash dividends per share for each class of share	Nil	Nil	Nil

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

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*For the Third Quarter Ended August 31, 2006*

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**SUMMARY OF QUARTERLY RESULTS**

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

<b>Period</b>	<b>Revenues</b>	<b>Loss (Income)</b>	<b>Loss (Income) per share</b>
	(Unaudited)	(Unaudited)	(Basic and fully diluted) (Unaudited)
Aug. 31, 2006	Nil	\$(103,000)	\$(0.005)
May 31, 2006	Nil	\$ 581,000	\$ 0.02
Feb. 28, 2006	Nil	\$ 211,000	\$ 0.01
Nov. 30, 2005	Nil	\$ 298,000	\$ 0.01
Aug. 31, 2005	Nil	\$ 256,000	\$ 0.01
May 31, 2005	Nil	\$ 245,000	\$ 0.01
Feb. 28, 2005	Nil	\$ 213,000	\$ 0.01
Nov. 30, 2004	Nil	\$ 234,000	\$ 0.01
Aug. 31, 2004	Nil	\$ 186,000	\$ 0.01

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

During the quarter ended August 31, 2006 the Company realized a gain of \$389,267 as a result of the sale of the La Parilla property. Excluding this gain, the Company incurred a loss of \$286,660 or \$0.01 per share in the quarter.

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

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**FINANCIAL SUMMARY**

For the three months ended August 31, 2006, the Company had income of \$102,607 including the gain on the La Parilla property sale (\$0.01 per share). Excluding the gain of \$389,267 the Company incurred a loss of \$286,660 or \$0.01 per share. This compares to a loss for the three months ended August 31, 2005, of \$255,689 or \$0.01 per share.

Costs for the quarter, net of interest income, were \$30,971 higher this quarter compared to the same period last fiscal year due to increased activity in a number of areas. While the expenses in most categories were comparable to those of the prior year, additional expenses were incurred in the areas of:

- Accounting and audit fees of \$24,386 (2005 - \$6,000) due primarily to additional accounting and tax advice;
- Administration costs of \$23,080 (2005 - \$8,149) due to increased staffing and associated costs;
- Director fees of \$30,000 (2005 - \$6,000) reflecting, as disclosed in the last quarterly report, the increased fees for increased board involvement in order to provide more expertise to the Company;
- Legal fees of \$22,021 (2005 - \$10,072) as a result of the hiring of new corporate officers and regulatory filings;
- Regulatory filing fees of \$7,981 (2005 - 2,705) due to financing and other regulatory applications;
- Shareholder relations expenses of \$47,216 (2005 - \$37,836) due to increased news release distribution costs and corporate advertising to increase the Company's profile; and
- Travel expense of \$29,704 (2005 - \$6,331) due to increased travel to investment conferences, shareholder meetings and for property monitoring and evaluation.

**CAPITAL RESOURCES AND LIQUIDITY**

As at August 31, 2006 the Company's working capital was \$5,994,976 which included \$5,589,622 in cash and cash equivalents. Management is of the opinion that these financial resources are sufficient in order to fund the Company's ongoing level of corporate activities, mineral exploration, and required property commitments for the next twelve months. The Company's cash needs 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.

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**OFF-BALANCE-SHEET ARRANGEMENTS**

As at August 31, 2006 and as of the date of this report the Company had no off-balance-sheet arrangements.

**TRANSACTIONS WITH RELATED PARTIES**

Funds for the budgeted mineral property exploration program in Mexico were advanced to Minera Montana S. de R.L. de C.V. ("Montana"), a company controlled by a director and officer of the Company. Montana was contracted to provide and manage the exploration programs conducted in Mexico. Amounts paid to third parties by Montana were reimbursed at cost. Charges for equipment rentals and drilling services provided by a company controlled by one director were charged at market rates.

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

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

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

**ACTUAL AND PROPOSED TRANSACTIONS**

In the normal course of business, the Company evaluates mineral properties for either acquisition or disposal. As of the date of this report, the sale of the La Parilla claims has been completed and the sale of the Mezquital claims is pending.

**CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

During the quarter ended August 31, 2006, and as of the date of this report the Company has not instituted any change in its accounting policies.

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**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

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

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

**INCENTIVE SHARE OPTION PLAN**

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

**OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value. As at August 31, 2006, the Company had 36,882,325 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 36,882,325 shares outstanding. As at August 31, 2006 the Company had 2,525,000 share purchase options outstanding at various exercise prices and maturing at various future dates.

As of the date of this report there are 2,325,000 share purchase options outstanding. As at August 31, 2006 and as of the date of this report, the Company had 5,401,667 share purchase warrants outstanding with each warrant exercisable at various prices and maturing at various future dates (see Note 6 of the financial statements). On a fully diluted basis, if all of these options and warrants were exercised, a total of 44,608,992 shares would be issued and outstanding.

**INVESTOR RELATIONS**

The Company does not currently engage the services of any independent consultants to provide investor relations services.

**RISKS AND UNCERTAINTIES**

By its very nature, the business of mineral exploration and extraction involves a high degree of risk. The Company competes with other mining enterprises, some of which have greater financial resources, for the acquisition of mineral concessions. The company is at risk to fluctuations in precious metal prices, the interest of investors and the

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availability of contractors. These factors impact upon the Company's ability to finance its programs and to carry on operations.

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

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

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

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

**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

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“Risk Factors” elsewhere in this MD&A. Therefore, the reader is cautioned not to place undue reliance on forward-looking statements. Further, the Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, future events, or otherwise except as may be required under applicable securities legislation.

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

**DISCLAIMER**

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

**CORPORATE DISCLOSURE PRACTICES AND POLICIES**

The Company maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors has the responsibility to understand the principal risks of the business of the Company and to confirm that there are systems in place that effectively monitor and 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 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 Governance Committee consists of three unrelated outside directors. The role of the Governance Committee is to monitor the effectiveness of the Board of Directors and of the Board Committees.

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The Company and its management have designed and have in place disclosure controls and procedures that it believes are necessary to provide reasonable assurance that material information has been made available to management in preparation of its annual filings. In addition, management has determined that such controls and procedures are working effectively. There have been no changes in the issuer's internal controls with respect to financial reporting during the period.

**OTHER INFORMATION**

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

**AUTHORITY**

The Audit Committee, on behalf of the Board of Directors of the Company, originally approved the unaudited financial statements of the Company on October 25, 2006.

The Audit committee subsequently approved the restated financial statements for the nine months ended August 31, 2006 and the disclosure contained within this MD&A on February 20, 2007.