

Financial Statements of

OREX EXPLORATION INC.

Years ended June 30, 2009 and 2008

AUDITORS' REPORT

To the shareholders of
OREX EXPLORATION INC.

We have audited the balance sheets of **OREX EXPLORATION INC.** as at June 30, 2009 and 2008 and the statements of deferred exploration expenditures, contributed surplus, earnings and comprehensive income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*(s) Raymond Chabot Grant Thornton LLP*¹
Chartered Accountants

Val d'Or (Québec)
September 9, 2009 (September 29, 2009 for note 14)

¹ Chartered accountant auditor permit no. 11903

OREX EXPLORATION INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

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BALANCE SHEETS

AS AT JUNE 30

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,926	\$ 123,598
Term deposit, 2.1% (3.25% in 2008), maturing in october 2009	5,071	5,115
Marketable securities	7,250	9,000
Sales tax receivable	33,073	84,797
	<u>102,320</u>	<u>222,510</u>
FUNDS RESERVED FOR EXPLORATION (note 6)	113,149	1,537,869
MINING PROPERTY - GOLDBORO, GUYSBOUROUGH COUNTY, NOVA-SCOTIA, 100% UNDIVIDED INTEREST	1,587,855	1,587,855
DEFERRED EXPLORATION EXPENDITURES - GOLDBORO	8,387,885	6,407,129
	<u>\$ 10,191,209</u>	<u>\$ 9,755,363</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 155,912	\$ 175,871
Advances from company controlled by a director, non-interest bearing	-	2,094
	<u>155,912</u>	<u>177,965</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	13,847,534	12,806,823
Contributed surplus	1,250,498	957,067
Deficit	(5,062,735)	(4,186,492)
	<u>10,035,297</u>	<u>9,577,398</u>
	<u>\$ 10,191,209</u>	<u>\$ 9,755,363</u>

See accompanying notes to financial statements

ON BEHALF OF THE BOARD

(S) Mark Billings
Mark Billings, Director

(S) Claude Poulin
Claude Poulin, Director

STATEMENTS OF DEFERRED EXPLORATION EXPENDITURES

YEARS ENDED JUNE 30

	<u>2009</u>	<u>2008</u>
BALANCE, BEGINNING	\$ 6,407,129	\$ 5,648,968
<hr/>		
EXPLORATION COSTS		
Drillings	1,004,099	588,375
Geological consultants	174,289	83,826
Analysis and preparation	798,753	76,190
Equipment rental	3,615	9,770
<hr/>		
Increase in deferred exploration expenditures	1,980,756	758,161
BALANCE, ENDING	<u>\$ 8,387,885</u>	<u>\$ 6,407,129</u>

See accompanying notes to financial statements

STATEMENTS OF CONTRIBUTED SURPLUS

YEARS ENDED JUNE 30

	<u>2009</u>	<u>2008</u>
BALANCE, BEGINNING	\$ 957,067	\$ 272,709
Stock-based compensation	254,599	475,397
Amount debited to the capital stock with respect to share issuance expenses following the grant of warrants to intermediaries	12,100	242
Amount debited to the capital stock with respect to share issuance expenses following the grant of stock options on units to intermediaries	19,432	49,715
Warrants issued with common shares	7,300	291,564
Amount credited to the capital stock on the exercise of stock options	-	(132,560)
	<u>\$ 1,250,498</u>	<u>\$ 957,067</u>

See accompanying notes to financial statements

STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

YEARS ENDED JUNE 30

	2009	2008
ADMINISTRATIVE EXPENSES		
General administrative expenses	\$ 234,629	\$ 82,738
Stock-based compensation for directors and officers	146,362	475,397
Stock-based compensation for consultants	108,237	-
Professional fees	365,839	330,786
Information to shareholders	98,015	107,744
Listing and registration fees	23,197	29,706
Non-realized loss on marketable securities	1,750	5,000
Gain on write off of accounts payable	-	(18,945)
Part XII.6 income taxes	57,316	-
	<u>1,035,345</u>	<u>1,012,426</u>
Interest income	12,102	52,116
LOSS BEFORE INCOME TAXES	(1,023,243)	(960,310)
FUTURE INCOME TAXES (note 8)	147,000	710,000
NET LOSS AND COMPREHENSIVE INCOME	\$ (876,243)	\$ (250,310)
BASIC AND DILUTED NET LOSS PER SHARE (note 10)	\$ (0.01)	\$ (0.00)

See accompanying notes to financial statements

STATEMENTS OF DEFICIT

YEARS ENDED JUNE 30

	<u>2009</u>	<u>2008</u>
BALANCE, BEGINNING	\$ (4,186,492)	\$ (3,936,182)
Net loss	(876,243)	(250,310)
BALANCE, ENDING	<u>\$ (5,062,735)</u>	<u>\$ (4,186,492)</u>

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30

	2009	2008
CASH FLOWS RELATED TO:		
OPERATING ACTIVITIES		
Net loss	\$ (876,243)	\$ (250,310)
Adjustments for:		
Stock-based compensation	254,599	475,397
Non-realized loss on marketable securities	1,750	5,000
Gain on write off of accounts payable	-	(18,945)
Future income taxes	(147,000)	(710,000)
Net change in non-cash working capital items	139,230	(21,822)
CASH FLOWS RELATED TO OPERATING ACTIVITIES	(627,664)	(520,680)
FINANCING ACTIVITIES		
Advances from directors	-	(44,077)
Advances from related company controlled by the president	-	(10,600)
Advances from related company controlled by a director	(2,094)	(10,084)
Long term debt	-	209,786
Reimbursement of the long term debt	-	(238,911)
Issuance of common shares and warrants	1,296,700	2,316,780
Common share issuance expenses	(148,157)	(150,059)
CASH FLOWS RELATED TO FINANCING ACTIVITIES	1,146,449	2,072,835
INVESTING ACTIVITIES		
Term deposit	44	(115)
Funds reserved for exploration	1,424,720	(787,869)
Mining property acquisition	-	(11,855)
Deferred exploration expenditures	(2,010,221)	(634,583)
CASH FLOWS RELATED TO INVESTING ACTIVITIES	(585,457)	(1,434,422)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(66,672)	117,733
CASH AND CASH EQUIVALENTS, BEGINNING	123,598	5,865
CASH AND CASH EQUIVALENTS, ENDING	\$ 56,926	\$ 123,598

Additional informations on cash flows (note 11)

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

1. STATUS AND NATURE OF ACTIVITIES

The Company, incorporated under Part 1A of the Quebec Companies Act, is in the process of exploring mineral properties and has not yet determined whether its property contains ore reserves that are economically recoverable.

The recoverability of amounts shown for the mineral property and related deferred exploration expenditures and the capacity of the Company to meet all its commitments are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. GOING CONCERN ASSUMPTION

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

In light of losses accrued in the past years and a negative working capital position the Company's ability to realize its assets and discharge its liabilities depends on obtaining of further financings.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the balance sheet classification have not been adjusted as would be required if the going concern assumption were not appropriate.

3. ACCOUNTING CHANGES

On July 1, 2008, in accordance with the applicable transitional provisions, the Company applied the new recommendations of Section 1400, "General Standards of Financial Statement Presentation", of the Canadian Institute of Chartered Accountants' Handbook, dealing with the going concern assumption. The new recommendations, which are effective for fiscal years beginning on or after January 1, 2008, require management to make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. The new requirements only address disclosures and have no impact on the Company's financial results.

On July 1, 2008, in accordance with the applicable transitional provisions, the Company applied the recommendations of Section 1535, "Capital Disclosures", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for fiscal years beginning on or after October 1, 2007, establishes standards for disclosing information about the Company's capital and how it is managed. The new accounting standard only addresses disclosures and has no impact on the Company's financial results.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

3. ACCOUNTING CHANGES (CONTINUED)

On July 1, 2008, in accordance with the applicable transitional provision, the Company applied new sections 3862, "Financial Instruments – Disclosure" and 3863 "Financial Instruments – Presentation", which establish standards for the presentation and disclosure of financial instruments and non-financial derivatives. These new standards were effective for fiscal years beginning on or after October 1, 2007. They replace section 3861 "Financial Instruments – Disclosure and Presentation". The new standards only addresses disclosures and have no impact on the Company's financial results.

On March 27, 2009, the Emerging Issues Committee issued EIC-174, *Mining exploration costs*, to provide additional guidance for mining exploration enterprises on when an impairment test is required. This Abstract must be applied to financial statements issued after March 27, 2009. The adoption of this Abstract had no impact on the financial statements of the Company.

4. FUTURE ACCOUNTING STANDARDS

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, Canada' Accounting Standards Board (AcSB) confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS"). The Company will adopt the IFRS for the interim financial statement that will end on September 30, 2011.

5. ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

FINANCIAL ASSETS AND LIABILITIES

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Subsequently, financial assets and liabilities are measured and recognized as follows.

HELD-FOR-TRADING FINANCIAL ASSETS

Held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. The changes in the fair value of the marketable securities are presented in the account non-realized loss on investment. The changes in the fair value of the other held-for-trading financial assets include interest and are presented under «interest income».

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

5. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents and marketable securities are classified as held-for-trading financial assets.

Term deposit and funds reserved for exploration are designated as held for trading because the Company envisages repurchasing them, entirely or partly, before their maturing date.

LOANS AND RECEIVABLES

They are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

The subscription receivable is classified as a loan and receivable.

OTHER FINANCIAL LIABILITIES

Other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in general and administrative expenses.

The accounts payable and accrued liabilities and the due to a company controlled by a director are classified as other financial liabilities.

CASH AND CASH EQUIVALENTS

Cash included cash and demand deposits. Cash equivalents include very liquid investments that can be converted into a known cash amount and maturing within less than three months from the date of acquisition.

FUNDS RESERVED FOR EXPLORATION

Funds reserved for exploration consist of proceeds of flow-through financing not yet disbursed. Under the terms of the financing, the Company is committed to spending the funds on exploration.

MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The mining properties are recorded at cost. Exploration costs are deferred. When a decision is made to bring an orebody into production, the costs related to an orebody, recorded in mining properties and deferred exploration expenditures, are transferred to fixed assets; they will then be amortized based on the unit of production of the year and the proven and probable ore reserves. When a project is abandoned, the related costs are charged to earnings.

The recoverability of amounts recorded for mineral properties and deferred exploration expenses is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying property, the ability of the Company to obtain the necessary financing to complete the development and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

5. ACCOUNTING POLICIES (CONTINUED)

INCOMES TAXES

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to difference between the carrying amounts and tax bases of assets and liabilities. They are measured by applying substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

CAPITAL STOCK

Capital stock issued for non-monetary consideration is recorded at the market value on the date the shares were issued, or on the date the agreement to issue the shares was entered into as determined by the board of directors.

The resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through shares are renounced in favour of investors in accordance with tax legislation. Under the liability method of accounting, according to EIC-146, future income taxes related to the temporary differences are recorded on the date of the renunciation to investors together with a corresponding charge to share issue expenses.

STOCK-BASED COMPENSATION

The Company uses the fair value method based on the Black & Scholes pricing model to record the compensation cost related to the issue of stock options to its employees, directors, officers and consultants to earnings and comprehensive income, deferred exploration expenses or issuance expenses over the vesting period with a corresponding credit to contributed surplus. Any consideration received when options are exercised is credited to capital stock together with the related compensation cost recorded as contributed surplus.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts of assets and liabilities. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and charges during the years. Significant estimates include the carrying value of mining properties, deferred exploration expenditures, stock-based compensation and valuation of the warrants. Actual results could differ from those estimates.

SHARE ISSUE EXPENSES

Share issue expenses are applied against proceeds of the share issue.

FAIR VALUE OF THE WARRANTS

Proceeds from unit placements are allocated to the shares and warrants issued according to their relative fair value using the residual method to determine the fair value of warrants issued.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

6. FUNDS RESERVED FOR EXPLORATION

Cash and cash equivalents and the term deposits on hand for exploration expenditures include term deposits of \$0 (\$1,211,188 in 2008, bearing interest at rates from 2.42% to 3.25%).

7. CAPITAL STOCK

AUTHORIZED

Unlimited number of common shares, no par value, voting and participating

	2009		2008	
	Number of shares	Capital-stock	Number of shares	Capital-stock
Issued and paid		\$		\$
Balance, beginning	99,708,062	12,806,823	69,714,447	10,617,417
Private placements	11,945,000	716,700	7,700,000	770,000
In counterpart of share issuance expenses	-	-	653,846	85,000
In counterpart of accounts payable	1,300,000	78,000	1,050,000	105,000
Flow-through private placement -b)	7,300,000	540,200	11,898,306	1,255,216
Subscription receivable -c)	-	32,500	-	-
With respect to the exercise of stock options	-	-	2,560,000	388,560
With respect to debt redemption	-	-	5,806,463	580,646
Share issuance expenses	-	(326,689)	-	(995,016)
Share issued and paid	120,253,062	13,847,534	99,383,062	12,806,823
Issued and not paid -c)	-	-	325,000	32,500
Subscription receivable -c)	-	-	-	(32,500)
Balance, ending - a)	120,253,062	13,847,534	99,708,062	12,806,823

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

7. CAPITAL STOCK (CONTINUED)

(a) Escrowed shares

In 2003, the Canadian regulatory authorities have adopted an uniform escrow regime, which changes the escrow conditions as well as the timing of their release. Amendments to existing escrow agreement were approved by a majority vote of the shareholders of the Company at their annual meeting held on March 29, 2007 and divulgated in the October 24, 2007 Press Release.

	<u>2009</u>	<u>2008</u>
Balance, beginning	292,500	585,000
Released, December 24, 2007	-	(146,250)
Released, April 24, 2008	-	(146,250)
Released October 24, 2008	(146,250)	-
Released April 24, 2009	(146,250)	-
Balance, ending	<u>-</u>	<u>292,500</u>

(b) The proceeds from this issue will be used for the Phase 2 Exploration Program at the Company's wholly owned Goldboro property located in Nova Scotia. During the financial year 2009, the Company closed flow-through private placements for a total amount of \$547,500 (2008, \$1,546,780), from which an amount of \$7,300 (2008, \$291,564) representing the fair value of the warrants was credited to the contributed surplus.

(c) This amount represents the subscription price for units sold to one subscriber in the private placement dated March 10, 2008. The cheque representing the amount of subscription was returned with the mention "no sufficient provision" after the closing date of the placement. In spite of many requests of payment, this subscription amount was still unpaid on June 30, 2008. Efforts were made with a legal advisor in order to recuperate this amount, this amount was recovered on January 21, 2009.

SHAREHOLDERS RIGHTS PLAN

On December 11, 2008, the shareholders of the Company approved a Shareholders Rights Plan that came into effect on December 11, 2008. On the effective date, one right was issued and attached to each outstanding common share, and one right is also attached to each subsequently issued common share. The rights only become exercisable in limited circumstances, such as acquisitions of 20% of the common shares of the Company, and each right pertains the holder to purchase a common share at a substantial discount to market price. The rights plan has a term of three (3) years, subject to reconfirmation at the annual meeting of the shareholders to be held in 2011.

STOCK OPTION PLAN

Under its stock option plan, the Company may issue a maximum of 9,900,000 common shares to its directors, officers, employees, suppliers and consultants. The exercise price of each option cannot be less than the closing price of the Company's shares on the TSX Venture Exchange on the day preceding the date of the grant and an option's maximum term cannot exceed 5 years. Options may be exercised at any time but, the shares acquired under the plan are subject to a 4 month hold period commencing on the date the options were granted.

The rights attached to the options are vested immediately except for public relations consultants, who will acquire their rights over a 12 month period, at a rate of 25% per quarter.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

7. CAPITAL STOCK (CONTINUED)

STOCK OPTION PLAN (CONTINUED)

The weighted average fair value of options granted during the year was estimated using the Black & Scholes stock option evaluation model with the following assumptions:

	2009	2008
Weighted risk free interest rate	1.73%	4.50%
Weighted average expected volatility	88.35%	146.81%
Weighted average estimated duration	3.68 years	4.7 years
Dividend expected	0%	0%
Weighted average fair value	\$0.068	\$0,086

During the 2009 financial year, stock-based compensation expenses in the amount of \$254,599 (\$475,397 in 2008) were accounted to earnings with a corresponding credit to contributed surplus.

A summary of the status of the Company's stock option plan as of June 30, 2009 and 2008 and changes during the years ending on those dates is presented below:

	2009		2008	
	Numbers of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding, beginning of year	6,528,570	0.145	3,538,570	0.115
Exercised	-	-	(2,560,000)	0,10
Granted:				
- to directors and officers	1,750,000	0.148	3,200,000	0.145
- to consultants	2,200,000	0.1527	2,350,000	0.14
Expired:				
- to directors and officers	(100,000)	0.10	-	-
- to consultants	(350,000)	0.121	-	-
- to intermediaries	(428,570)	0.175	-	-
Outstanding, end fo year	<u>9,600,000</u>	<u>0.1471</u>	<u>6,528,570</u>	<u>0.145</u>
Options exercisables, end of year	<u>9,375,000</u>	<u>0.1471</u>	<u>6,453,570</u>	<u>0.145</u>

During the year, 3,950,000 (2008, 5,550,000) options were granted by the Company at a weighted average price of \$0.151 (2008, \$0.143).

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

7. CAPITAL STOCK (CONTINUED)

STOCK OPTION PLAN (CONTINUED)

The following table summarizes information about stock options outstanding as at June 30, 2009:

Range of exercise price	Outstanding Options			Exercisable Options		
	Number outstanding	Weighted average remaining life (Years)	Weighted average exercise price	Number Exercisable	Weighted average exercise price	
\$0.10	800,000	2.98	\$0.10	800,000	\$0.10	
\$0.105	350,000	3.62	\$0.105	350,000	\$0.105	
\$0.15	5,800,000	3.03	\$0.15	5,800,000	\$0.15	
\$0.16	2,500,000	4.40	\$0.16	2,275,000	\$0.16	
\$0.17	150,000	0.63	\$0.17	150,000	\$0.17	
\$0.10 à \$0.17	9,600,000	3.37	\$0.1471	9,375,000	\$0.1471	

WARRANTS

During the year, the Company issued 20,999,500 (16,817,938, 2008) share purchase warrants at variable exercise prices and for different periods, as part of private placements. Each warrant entitles the holder to one common share of the Company.

	2009		2008	
	Number	Exercise price up to	Number	Exercise price up to
Balance beginning	21,103,656		4,285,712	\$0.40 June 19, 2009
Expired during the year				
- June 19, 2009	(4,285,712)	\$0.40 June 19, 2009		
Issued during the year				
- November 28, 2007			6,538,461	\$0.20 Nov. 28, 2008 \$0.40 Nov. 28, 2009
- December 21, 2007			1,538,461	\$0.20 Dec. 21, 2008 \$0.40 Déc. 21, 2009
- December 31, 2007			4,203,522	\$0.20 Dec. 31, 2008 \$0.40 Dec. 31, 2009
- February 11, 2008 (a)			1,950,000	\$0.15 Feb. 11, 2009
- March 10, 2008 (a)			2,587,500	\$0.15 March 10, 2009
- December 30, 2008	7,415,000	\$0.10 Dec. 30, 2009 \$0.15 Dec 30, 2010		
- February 25, 2009	13,584,500	\$0.10 February 25, 2012		
Balance ending	37,817,444		21,103,656	

(a) During the year, the Company has extended the expiration date of those warrants from February and March 2009 to February and March 2010.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

7. CAPITAL STOCK (CONTINUED)

OPTION UNITS TO INTERMEDIARIES

In the private placement closed on November 28, 2007, the Company issued, as remuneration to intermediaries, 653,846 options to acquire units at a price of \$0.13 each until November 28, 2009. A unit consists of one common share and one warrant giving the right to buy a common share at a price of \$0.20 before November 28, 2008 and at a price of \$0.40 per share up to November 28, 2009.

In the private placement closed on December 21, 2007, the Company issued, as remuneration to intermediaries, 153,846 options to acquire units at a price of \$0.13 each until December 21, 2009. A unit consists of one common share and one warrant giving the right to buy a common share at a price of \$0.20 before December 21, 2008 and at a price of \$0.40 per share up to December 21, 2009.

In the private placement closed on December 30, 2008, the Company issued, as remuneration to intermediaries, 560,000 options to acquire units at a price of \$0.075 each until December 30, 2010. A unit consists of one common share and one warrant giving the right to buy a common share at a price of \$0.10 before December 30, 2009 and at a price of \$0.15 per share up to December 30, 2010.

A summary of the status as at June 30, 2009 and 2008 and changes during the years ending on those dates is presented below:

	Units to Intermediaries	Attributed value	Weighted average exercise price
		\$	\$
Outstanding and exercisables on June 30, 2008	807,692	49,715	0.13
Granted on December 30, 2008	560,000	19,432	0.075
Outstanding and exercisables on June 30, 2009	<u>1,367,692</u>	<u>69,147</u>	<u>0.108</u>

The fair value of each unit granted during the year was estimated using the Black & Scholes model:

	2009	2008
Weighted risk free interest rate	1.32%	4.50%
Weighted average expected volatility	99%	120.48%
Weighted average estimated duration	2 years	2 years
Dividend expected	0%	0%
Averaged fair value per unit	\$0.04	\$0.06

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

8. INCOME TAXES

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 30.9% (2008, 31.96%) as a result of the following:

	2009	2008
Loss before taxes	\$ (1,035,345)	\$ (960,310)
Computed "expected" tax recovery	(319,922)	(306,915)
Shares issue expenses	(28,314)	(20,013)
Non deductible expenses	1,545	1,294
Stock-based compensation	73,314	151,937
Income tax rates variation	334,078	(47,883)
Valuation allowance	(207,701)	(488,420)
Total income tax expenses (Recovery)	<u>\$ (147,000)</u>	<u>\$ (710,000)</u>

The tax effects of temporary differences that give rise to significant portions of future tax assets are as follows:

	2009	2008
Future income tax assets:		
Mining property and deferred exploration expenditures	\$ 1,035,725	\$ 1,799,398
Deductible share issue expenses	71,366	83,860
Loss carried forward	770,215	681,560
Total gross future income tax assets	1,877,306	2,564,818
Less valuation allowance	(1,877,306)	(2,564,818)
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

8. INCOME TAXES (CONTINUED)

As at June 30, 2009, the Company has the following tax losses available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the financial statements.

Losses carried forward for tax purposes will expire as follows:

2010	\$	157,549
2014		150,519
2015		207,685
2026		422,355
2027		546,720
2028		557,287
2029		873,495
	<u>\$</u>	<u>2,915,610</u>

9. RELATED PARTY TRANSACTIONS

During the financial year, the Company paid vehicle rental expenses of \$12,000 (2008, \$12,000), professional fees of \$120,000 (2008, \$90,000), shares issuing fees of \$9,480 (2008, \$12,500), rental of equipment of \$48,000 (2008, \$0) and services and rental of office and equipment of \$96,000 (2008, \$96,000) to companies controlled by a significant shareholder of Orex Exploration Inc. This significant shareholder was also the president and a director of the Company up to the end of October 2007. During the financial year, the Company incurred management fees of \$99,000 (2008, \$53,468) to a company controlled by the president, chief executive officer and director and consultation fees in geology of \$12,000 (2008, \$42,000) to a company controlled by a director.

Also, during the year, professional fees of \$11,000 (2008, \$16,000) and shares issuing fees of \$10,000 (2008, \$0) have been incurred with the corporate secretary, a related person to a significant shareholder.

As at June 30, 2009 and 2008, accounts payable and accrued liabilities doesn't include any amount payable to a related.

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

10. LOSS PER SHARE

Loss per share has been calculated using the weighted average number of 107,884,021 outstanding common shares during the year (2008, 81,417,029 shares). The dilutive loss per share, which is calculated using the treasury method, is equal to the basic net loss per share due to the anti-dilutive effect of the total share options and warrants outstanding indicated in note 7.

11. ADDITIONAL INFORMATION ON CASH FLOWS

Financing and investing non cash activities:

	2009	2008
Amount credited to the capital stock on exercise of stock options	\$ -	\$ 132,560
Share issue expenses in counterpart of shares	\$ -	\$ 85,000
Share issue expenses in counterpart of warrants	\$ 12,100	\$ 242
Share issue expenses as future income taxes	\$ 147,000	\$ 710,000
Share issue expenses in counterpart of stock options	\$ 19,432	\$ 49,715
Deferred exploration expenditures financed by accounts payable	\$ 113,592	\$ 143,057
Accounts payable settlement in counterpart of shares	\$ 78,000	\$ 105,000
Long-term debt reduction in settlement of exercise of stock options	\$ -	\$ 256,000
Debt settlement in counterpart of shares	\$ -	\$ 580,646
Gain on write off of accounts payable	\$ -	\$ 18,945

12. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks.

The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risks

The Company's main financial risk exposure and its financial risk management policies are as follows :

Interest rate risk

The term deposit of the Company is at fixed rate. Accordingly, there is exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Credit risk

The Company is subject to a concentration of credit with the cash and cash equivalents, the term deposit and the funds reserved for exploration because those financial instruments are held by a single Canadian financial institution.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has financing sources such as private placements for a sufficient amount. The Company establishes budget and cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible for the Company to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Fair value

The fair market value of the marketable securities is equal to the exchange value at closing.

13. CAPITAL DISCLOSURE

The Company's objective in managing capital is to safeguard its ability to continue its operations as well as its acquisition and exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 AND 2008

13. CAPITAL DISCLOSURE (CONTINUED)

The Company's capital is shareholders' equity. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to endure the Company has appropriate liquidity to meet its operating and growth objectives. The Company is not subjected to any externally imposed capital requirements, unless the Company closes a flow-through private placement where the funds are restricted in use for exploration expenses. The Company has \$113,149 in funds reserved for exploration as at June 30, 2009 (\$1,537,869 in 2008).

As at June 30, 2009, the capital stock, the warrants and the contributed surplus totalize \$15,098,032 (\$13,763,890 in 2008). The Company has a cumulated deficit of \$5,062,735 (\$4,186,492 in 2008). Shareholder' equity totalize \$10,035,297 as at June 30, 2009 (\$9,577,398 in 2008).

14. SUBSEQUENT EVENTS

On September 29, 2009, the Company has entered into a binding Letter of Intent, whereby Osisko Mining Corporation ("Osisko") will have a working right and an exclusive option to acquire up to a 60% undivided interest in Orex's Goldboro property, by incurring exploration and development work expenditures and by making a private placement in the Company.

This Letter of Intent serves the basis for a more Formal Agreement to be signed no later than 20 days after the signing of the Letter of Intent. The signing of the Formal Agreement is contingent upon completion of due diligence by Osisko.

- Upon signing of the Formal Agreement, Osisko shall make a private placement in the capital stock of Orex of 13,000,000 Units at a price of \$0.10 per Unit, for gross proceeds of \$1,300,000. Each Unit shall consist of one common share and one transferable common share purchase warrant. Each transferable common share purchase warrant entitles its holder to acquire one common share for \$0.125 for a period of three years.
- In order to acquire a 50% undivided interest in the Property on or before September 25, 2013, Osisko shall incur exploration and development expenditures:
 - In the amount of at least \$1,500,000 on or before September 25, 2010;
 - In the aggregate amount of at least \$3,500,000 on or before September 25, 2011; and
 - In the aggregate amount of at least \$8,000,000 over the following two years, that is, on or before September 25, 2013.
- Osisko shall solely fund a prefeasibility study to earn an aggregate 60% interest (that is, an additional 10% interest) in the Property on or before September 25, 2015.

15. COMPARATIVE FIGURES

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.