

Financial Statements of

OREX EXPLORATION INC.

Years ended June 30, 2008 and 2007

AUDITORS' REPORT

To the shareholders of
OREX EXPLORATION INC.

We have audited the balance sheets of **OREX EXPLORATION INC.** as at June 30, 2008 and 2007 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, 2008 and 2007 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
Chartered Accountants

Val d'Or (Québec)
October 7, 2008

OREX EXPLORATION INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

Balance sheets	1
Statements of deferred exploration expenditures	2
Statements of contributed surplus	3
Statements of earnings and comprehensive income	4
Statements of deficit	5
Statements of cash flows	6
Notes to financial statements	7 - 20

BALANCE SHEETS

AS AT JUNE 30

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 123,598	\$ 5,865
Term deposit	5,115	5,000
Marketable securities	9,000	3,250
Sales tax receivable	84,797	12,709
	222,510	26,824
FUNDS RESERVED FOR EXPLORATION (note 6)	1,537,869	750,000
MINING PROPERTY – GOLDBORO, GUYSBOROUGH COUNTY, NOVA-SCOTIA, 100% UNDIVIDED INTEREST	1,587,855	1,576,000
DEFERRED EXPLORATION EXPENDITURES – GOLDBORO	6,407,129	5,648,968
	\$ 9,755,363	\$ 8,001,792
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities charges	\$ 175,871	\$ 125,972
Advances from directors, non-interest bearing	-	44,077
Advances from company controlled by the president who is a significant shareholder, non-interest bearing	-	10,600
Advances from company controlled by a director, non-interest bearing	2,094	12,178
	177,965	192,827
LONG-TERM DEBT (note 7)	-	865,771
	177,965	1,058,598
SHAREHOLDERS' EQUITY		
Capital stock (note 8)	12,806,823	10,617,417
Contributed surplus	957,067	272,709
Deficit	(4,186,492)	(3,946,932)
	9,577,398	6,943,194
	\$ 9,755,363	\$ 8,001,792

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

	2008	2007
BALANCE, BEGINNING	\$ 5,648,968	\$ 5,607,321
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EXPLORATION COSTS		
Drilling	588,375	-
Geological consultants	83,826	39,344
Analysis	76,190	-
Equipment rental	9,770	1,200
Traveling expenses	-	1,103
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Increase in deferred exploration expenditures	758,161	41,647
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BALANCE, ENDING	\$ 6,407,129	\$ 5,648,968
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See accompanying notes to financial statements

STATEMENTS OF CONTRIBUTED SURPLUS

YEARS ENDED JUNE 30

	2008		2007
BALANCE, BEGINNING	\$ 272,709	\$	227,710
Stock-based compensation	475,397		25,512
Amount debited to the capital stock with respect to share issuance expenses following the grant of warrants to intermediaries	242		-
Amount debited to the capital stock with respect to share issuance expenses following the grant of options on units to intermediaries	49,715		-
Amount debited to the capital stock with respect to share issuance expenses following the grant of stock options to intermediaries	-		42,887
Warrants issued with common shares	291,564		-
Amount credited to the capital stock on the exercise of stock options	(132,560)		(23,400)
BALANCE, ENDING	\$ 957,067	\$	272,709

See accompanying notes to financial statements

STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

YEARS ENDED JUNE 30

	2008	2007
ADMINISTRATIVE EXPENSES		
General administrative expenses	\$ 82,738	\$ 39,520
Stock-based compensation	475,397	25,512
Professional fees	330,786	129,571
Information to shareholders	107,744	15,986
Listing and registration fees	29,706	16,436
Non-realized loss on investment	5,000	-
Settlement of litigation	-	301,125
Gain on write off of accounts payable	(18,945)	-
	1,012,426	528,150
Interest income	52,116	1,245
LOSS BEFORE INCOME TAXES	(960,310)	(526,905)
FUTURE INCOME TAXES (note 9)	710,000	-
NET LOSS AND COMPREHENSIVE INCOME	\$ (250,310)	\$ (526,905)
BASIC AND DILUTED NET LOSS PER SHARE (note 11)	\$ (0,00)	\$ (0,01)

See accompanying notes to financial statements

STATEMENTS OF DEFICIT

YEARS ENDED JUNE 30

	2008	2007
BALANCE, BEGINNING	\$ (3,946,932)	\$ (3,420,027)
Change in accounting policy (note 3)	10,750	-
Net loss	(250,310)	(526,905)
BALANCE, ENDING	\$ (4,186,492)	\$ (3,946,932)

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30

	2008	2007
CASH FLOWS RELATED TO:		
OPERATING ACTIVITIES		
Net loss	\$ (250,310)	\$ (526,905)
Adjustments for:		
Stock-based compensation	475,397	25,512
Non-realized loss on investment	5,000	-
Gain on write off of accounts payable	(18,945)	-
Settlement of litigation	-	301,125
Future income taxes	(710,000)	-
Net change in non-cash working capital items	(54,322)	98,589
CASH FLOWS RELATED TO OPERATING ACTIVITIES	(553,180)	(101,679)
FINANCING ACTIVITIES		
Advances from directors	(44,077)	7,992
Advances from related company controlled by the president	(10,600)	7,149
Advances from related company controlled by a director	(10,084)	12,178
Long term debt	209,786	-
Reimbursement of the long term debt	(238,911)	(201,614)
Issuance of common shares	2,349,280	975,500
Common share issuance expenses	(150,059)	(10,678)
CASH FLOWS RELATED TO FINANCING ACTIVITIES	2,105,335	790,527
INVESTING ACTIVITIES		
Term deposit	(115)	-
Funds reserved for exploration	(787,869)	(750,000)
Mining property acquisition	(11,855)	-
Deferred exploration expenditures	(634,583)	(49,537)
CASH FLOWS RELATED TO INVESTING ACTIVITIES	(1,434,422)	(799,537)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	117,733	(110,689)
CASH AND CASH EQUIVALENTS, BEGINNING	5,865	116,554
CASH AND CASH EQUIVALENTS, ENDING	\$ 123,598	\$ 5,865

Additional informations on cash flows (note 12)

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

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 precarious working capital position the Company's ability to realize its assets and discharge its liabilities depends on obtaining of further financing.

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 June 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' Handbook. This new section, effective for the years beginning on or after January 1, 2007, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results.

On June 1, 2007, in accordance with the applicable transitional provisions, the Company adopted the new recommendations in Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", 3861, "Financial Instruments – Disclosure and Presentation", and 3251, "Equity", of the Canadian Institute of Chartered Accountants' Handbook.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

3. ACCOUNTING CHANGES (CONTINUED)

Sections 3855 and 3861 deal with the recognition, measurement, presentation and disclosure of financial instruments and non-financial derivatives in the financial statements. The transitional provisions of these sections require that the Company remeasures the financial assets and liabilities as appropriate at the beginning of its fiscal year. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of deficit at the beginning of the fiscal year of initial application or as an adjustment of the opening balance of a separate component of accumulated other comprehensive income, as appropriate. The financial statements of prior fiscal years are not restated.

Section 1530 establishes standards for the reporting and display of comprehensive income during the fiscal year. Section 3251 establishes standards for the presentation of equity and changes in equity during the fiscal year. Pursuant to the transitional provisions of these sections, the Company's financial statements of prior fiscal years are not restated.

Adoption of these new recommendations resulted in the following impacts on the classification and measurement of the Company's financial instruments, which were previously recognized at cost.

Cash and cash equivalents, term deposit and funds reserved for exploration are classified as held-for-trading financial assets. They are measured at their fair value and the variances in the fair value are accounted in the statement of earnings. These changes had no significant impact on the financial statements as at July 1st 2007 and June 30, 2008.

The marketable securities are classified as held-for-trading financial assets. The marketable securities are accounted at their fair value and the variances in the fair value are accounted in the statement of earnings and comprehensive income until they are sold or depreciated. As at June 30, 2007, the book value and their fair value were of \$3,250 and \$14,000, respectively. On July 1, 2007, this change resulted in an increase of \$10,750 in the value of the securities and a decrease of \$10,750 in the deficit. For the financial year ended June 30, 2008, this change resulted in a decrease of \$5,000 in the value of the marketable securities, and an increase of \$5,000 to net loss.

Accounts payable and accrued liabilities, advances from directors, advances from a company controlled by the president who is a significant shareholder, and advances from a company controlled by a director are classified as other financial liabilities. They are valued at amortized cost using the effective interest method. These changes had no impact on the financial statements as at July 1st 2007, and June 30, 2008.

The long term debt is classified as other financial debts. It is valued at amortized cost using the effective interest method. These changes had no impact on the financial statements as at July 1st 2007 and June 30, 2008.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

4. FUTURE ACCOUNTING STANDARDS

In June 2007, the Canadian Institute of Chartered Accountants (CICA) modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management 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. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of July 1, 2008. The new requirements only address disclosures and will have no impact on the Company's financial results.

In December 2006, the CICA published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007 and the Company will implement it as of July 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Company's financial results.

In December 2006, the CICA published 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 are effective for fiscal years beginning on or after October 1, 2007 and the Company will implement them as of July 1, 2008. They replace section 3861 "Financial Instruments – Disclosure and Presentation".

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 loss non realized on investment. The changes in the fair value of the other held-for-trading financial assets include interest and realized and non realized gains or losses and are presented under «interest income».

Cash and cash equivalents, term deposit, marketable securities and funds reserved for exploration are classified as held-for-trading financial assets.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

5. ACCOUNTING POLICIES (CONTINUED)

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 PROPERTY AND DEFERRED EXPLORATION EXPENDITURES

The mining property is 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, 2008 AND 2007

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 consultant to earnings and comprehensive income or deferred exploration 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, stock-based compensation and deferred exploration expenditures. 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, 2008 AND 2007

6. FUNDS RESERVED FOR EXPLORATION

Cash and cash equivalents and the term deposits on hand for exploration expenditures include term deposits of \$1,211,188 (\$649,810 in 2007) maturing on date from August 2008 to October 2008 and bearing interest at rates of 2.42% to 3.25% (from 4.18% to 4.46% in 2007).

7. LONG-TERM DEBT

	2008	2007
Advances from companies controlled by the president of Orex Exploration Inc., who is a significant shareholder, non-interest bearing and with no foreseen term of repayment	\$ -	\$ 865,771

8. CAPITAL STOCK

AUTHORIZED

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

	2008		2007	
	Number of shares	Capital stock	Number of shares	Capital stock
ISSUED AND PAID				
Balance, beginning	69,714,447	\$10,617,417	63,850,165	\$9,672,082
Private placements	8,750,000	875,000	1,000,000	200,000
In counterpart of share issuance expenses	653,846	85,000	428,570	75,000
Flow-through private placements (b)	11,898,306	1,255,216	4,285,712	750,000
With respect to the exercise of stock options	2,560,000	388,560	150,000	48,900
With respect to debt redemption	5,806,463	580,646	-	-
Share issuance expenses	-	(995,016)	-	(128,565)
Shares issued and paid	99,383,062	12,806,823	69,714,447	10,617,417
Issued and not paid (c)	325,000	32,500	-	-
Subscription receivable (c)		(32,500)		
Balance, ending (a)	99,708,062	\$12,806,823	69,714,447	\$10,617,417

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

8. CAPITAL STOCK (CONTINUED)

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

292,500 common shares are still escrowed, of which 146,250 will be released on October 24, 2008 and 146,250 will be released on April 24, 2009.

- (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 2008, the Company closed flow-through private placements for a total amount of \$1,546,780, from which an amount of \$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 is still unpaid. Efforts are made with a legal advisor in order to recuperate this amount.

STOCK OPTION PLAN

Under its stock option plan, the Company may issue a maximum of 8,000,000 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.

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:

	<u>2008</u>	<u>2007</u>
Risk free interest rate	4.50%	4.502%
Weighted average expected volatility	146.81 %	120.48%
Weighted average estimated duration	4.7 years	3 years
Dividend expected	0%	0%
Weighted average fair value	\$0.086	\$0,109

During the 2008 financial year, stock-based compensation expenses in the amount of \$475,397 (\$25,512 in 2007) were accounted to earnings with a corresponding credit to contributed surplus. In 2007, share issuance fees of \$42,887 were debited to capital stock for with a corresponding credit to contributed surplus.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

8. CAPITAL STOCK (CONTINUED)

A summary of the status of the Company's stock option plan as of June 30, 2008 and 2007 and changes during the years ending on those dates is presented below:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	3,538,570	\$0.115	3,310,000	\$0.11
Exercised	(2,560,000)	0.10	(150,000)	0.17
Granted :				
- to directors and officers	3,200,000	0.145	200,000	0.15
- to consultants	2,350,000	0.14	-	-
- to intermediaries	-	-	428,570	0.175
Expired	-	-	(250,000)	0.17
Outstanding, end of year	<u>6,528,570</u>	<u>\$0.145</u>	<u>3,538,570</u>	<u>\$0.115</u>
Options exercisable, end of year	<u>6,453,570</u>	<u>\$0.145</u>	<u>3,538,570</u>	<u>\$0.115</u>

During the year, 5,550,000 (2007, 628,570) options were granted by the Company at a weighted average price of \$0.143 (2007, \$0.167).

The following table summarizes information about stock options outstanding as at June 30, 2008:

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	500,000	1.57	\$0.10	500,000	\$0.10
\$0.105	350,000	4.62	\$0.105	350,000	\$0.105
\$0.125	300,000	0.31	\$0.125	225,000	\$0.125
\$0.15	4,800,000	4.71	\$0.15	4,800,000	\$0.15
\$0.17	150,000	1.63	\$0.17	150,000	\$0.17
\$0.175	428,570	0.97	\$0.175	428,570	\$0.175
\$0.10 to \$0.175	<u>6,528,570</u>	<u>3.95</u>	<u>\$0.145</u>	<u>6,453,570</u>	<u>\$0.145</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

8. CAPITAL STOCK (CONTINUED)

WARRANTS

During the year, the Company issued 16,817,938 (4,285,712, 2007) 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.

	2008		2007	
	Number	Exercise price up to	Number	Exercise price up to
Balance beginning	4,285,712	\$0.40	19 juin 2009	0 - -
Issued during the year				
- June 19, 2007			4,285,712	\$0.30 June 19, 2008 \$0.40 June 19, 2009
- 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 Dec. 21, 2009		
- Decembre 31, 2007	4,203,522	\$0.20 Dec. 31, 2008 \$0.40 Dec. 31, 2009		
- February 11, 2008	1,950,000	\$0.15 Feb. 11, 2009		
- March 10, 2008	2,587,500	\$0.15 March 10, 2009		
Balance ending	<u>21,103,656</u>		<u>4,285,712</u>	

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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

8. CAPITAL STOCK (CONTINUED)

OPTIONS ON UNITS TO INTERMEDIARIES (CONTINUED)

A summary of the status as at June 30, 2008 and 2007 and changes during the years ending on those dates is presented below:

	<u>Units to Intermediaries</u>	<u>Attributed value</u>	<u>Weighted average exercise price</u>
		\$	\$
Outstanding and exercisable on June 30, 2007	-	-	-
Granted	<u>807,692</u>	<u>49,715</u>	<u>0.13</u>
Outstanding and exercisable on June 30, 2008	<u><u>807,692</u></u>	<u><u>49,715</u></u>	<u><u>0.13</u></u>

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

	<u>2008</u>
Risk free interest rate	4.50%
Weighted average expected volatility	120.48 %
Weighted average estimated duration	2 years
Dividend expected	0%
Averaged fair value per unit	\$0.06

9. INCOME TAXES

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 31.96% (2007, 32.02%) as a result of the following:

	<u>2008</u>	<u>2007</u>
Loss before taxes	\$ (960,310)	\$ (526,905)
Computed "expected" tax recovery	(306,915)	(168,715)
Increase in income taxes resulting from:		
Resource allowance	-	2,789
Shares issue expenses	(20,013)	(10,440)
Non deductible expenses	1,294	1,307
Stock-based compensation	151,937	-
Income tax rates variation	(47,883)	127,000
Valuation allowance (plus) or less value	(488,420)	48,059
Total income tax expenses	<u>\$ (710,000)</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

9. INCOME TAXES (CONTINUED)

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

	2008	2007
Future income tax assets:		
Mining property and deferred exploration expenditures	\$ 1,799,398	\$ 2,000,762
Deductible share issue expenses	83,860	36,885
Loss carried forward	681,560	550,245
Total gross future income tax assets	2,564,818	2,587,892
Less valuation allowance	(2,564,818)	(2,587,892)
Net future income tax assets	\$ -	\$ -

As at June 30, 2008, 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:

2009	\$ 215,019
2010	157,549
2014	150,519
2015	207,685
2026	422,355
2027	546,720
2028	557,426
	\$ 2,257,273

10. RELATED PARTY TRANSACTIONS

During the financial year, the Company paid equipment rental expenses of \$12,000 (2007, \$12,000), professional fees of \$90,000 (2007, \$0), shares issuing fees of \$12,500 (2007, \$0) and services and location of office and equipment of \$96,000 (2007, \$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 \$53,468 (2007, 0) to a company controlled by the president, chief executive officer and director and consultation fees in geology of \$42,000 (2007, \$10,688) to a company controlled by a director.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

10. RELATED PARTY TRANSACTIONS (CONTINUED)

During 2007, the Company and its former president received an action in damages and interest of \$262,500 plus interest and additional indemnity. Following this settlement, companies controlled by the president, who is a significant shareholder, has transferred 2,200,000 shares of Orex Exploration Inc. to the other Party. The Company decided to assume a part of the settlement by accounting an amount overdue of \$301,125 to companies controlled by the president in counterpart of 1,825,000 Orex Exploration Inc. shares at \$0.165 per share.

Also, during the year, professional fees of \$16,000 (2007, \$8,270) have been incurred with the corporate secretary, a related person to a significant shareholder. Balance payable arising from this transaction is included under « Accounts payable and accrued liabilities charges ».

As at June 30, 2008, accounts payable and accrued liabilities include an amount payable to a related company for an amount of \$2,093.

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.

11. LOSS PER SHARE

Loss per share has been calculated using the weighted average number of 81,417,029 outstanding common shares during the year (2007, 64,975,390 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 8.

12. ADDITIONAL INFORMATION ON CASH FLOWS

Financing and investing non cash activities:

	2008	2007
Amount credited to the capital stock on exercise of stock options	\$ 132,560	\$ 23,400
Share issue expenses in counterpart of shares	\$ 85,000	\$ 75,000
Share issue expenses in counterpart of warrants	\$ 242	\$ 42,887
Share issue expenses as future income taxes	710,000	-
Share issue expenses in counterpart of stock options	\$ 49,715	\$ -
Litigation settlement in counterpart of advances from companies controlled by the president	\$ -	\$ 301,125
Deferred exploration expenditures financed by accounts payable	\$ 143,057	\$ 55,159
Accounts payable settlement in counterpart of shares	\$ 105,000	\$ -

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

12. ADDITIONAL INFORMATION ON CASH FLOWS (CONTINUED)

	2008	2007
Debt settlement in counterpart of shares	\$ 580,646	\$ -
Long-term debt reduction in settlement of exercise of stock options	\$ 256,000	\$ -
Warrants, issued jointly with shares, credited to contributed surplus	\$ 291,564	\$ -
Gain on write off of accounts payable	\$ 18,945	\$ -

13. 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.

Financial risks

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

Interest rate risk

The majority of the financial assets and liabilities of the Company is at fixed rates. Accordingly, there is limited exposure to interest rate risk.

The Company is subject to a concentration of credit with the term deposits for funds reserved for exploration of \$1,211,188 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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

13. FINANCIAL INSTRUMENTS (continued)

Fair value

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

14. COMPARATIVE FIGURES

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