

Financial Statements of:

COREX GOLD CORPORATION
(An Exploration Stage Company)

December 31, 2008

AUDITORS' REPORT

BALANCE SHEETS

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



BDO Dunwoody LLP
Chartered Accountants

600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2
Telephone: (604) 688-5421
Fax: (604) 688-5132

AUDITORS' REPORT

To the Shareholders
Corex Gold Corporation

We have audited the consolidated balance sheets of Corex Gold Corporation as at December 31, 2008 and 2007 and the consolidated statements of loss and deficit, comprehensive loss 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
April 28, 2009

COREX GOLD CORPORATION

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and December 31, 2007

	December 31 2008	December 31 2007
ASSETS		
Current		
Cash and cash equivalents	\$ 959,020	\$ 2,982,563
Receivables - Note 7	50,704	34,762
Prepays - Note 7	22,042	61,056
Marketable securities - Note 4	153	6,608
	1,031,919	3,084,989
Equipment - Note 3	99,161	126,284
Resource properties - Note 5	687,722	2,089,017
	\$ 1,818,802	\$ 5,300,290
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities - Note 7	\$ 65,401	\$ 254,343
Share capital – Note 6	19,333,702	19,333,702
Contributed surplus – Note 6	968,276	843,068
Accumulated other comprehensive loss – Note 10	-	(23,392)
Deficit	(18,548,577)	(15,107,431)
Total shareholders' equity	1,753,401	5,045,947
	\$ 1,818,802	\$ 5,300,290

Nature of Operations and Ability to Continue as a Going Concern – Note 1

Commitments – Notes 5 and 6

Subsequent events – Note 13

APPROVED BY THE DIRECTORS:

“Craig Schneider”

Craig Schneider

Director

“Alan Hitchborn”

Alan Hitchborn

Director

COREX GOLD CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

	December 31 2008	December 31 2007
ADMINISTRATIVE EXPENSES		
Accounting and legal fees	\$ 70,901	\$ 56,330
Amortization	45,611	24,130
Bank charges and interest	2,622	2,889
Consulting fees – Note 7	227,579	210,621
Filing fees	9,416	8,802
Investor relations, website development and marketing	104,041	67,429
Office and administration	66,418	53,986
Rent, net – Note 7	35,444	36,832
Shareholder communication	3,146	16,337
Stock based compensation	125,208	289,972
Telephone	23,905	16,916
Transfer agent fees	6,265	10,162
Travel	35,474	54,146
Vehicle	925	1,701
Wages	100,962	44,419
Loss before other items	(857,917)	(894,672)
OTHER ITEMS		
Interest income	104,137	41,260
Other income – Note 5	48,190	—
Property evaluation	(46,138)	(46,261)
(Loss) gain on foreign exchange translation	45,575	43,434
Gain on option payments and shares received – Note 5	12,496	144,397
Write-off of marketable securities – Note 4	(42,343)	—
Write-off of resource properties – Note 5	(2,705,146)	—
Net Loss for the period	(3,441,146)	(711,842)
Deficit, beginning of period	\$ (15,107,431)	\$ (14,395,589)
Deficit, end of period	\$ (18,548,577)	\$ (15,107,431)
Loss per common share	\$ (0.15)	\$ (0.03)
Weighted average number of common shares	\$ 22,921,354	\$ 20,445,492

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

COREX GOLD CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	December 31 2008	December 31 2007
Loss for the year before comprehensive loss	\$ (3,441,146)	\$ (711,842)
Unrealized (loss) gain on available for sale investments - Note 4	23,392	(35,888)
Comprehensive loss for the year	\$ (3,417,754)	\$ (747,730)

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

COREX GOLD CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31 2008	December 31 2007
OPERATING ACTIVITIES		
Net income (loss) for the period	\$ (3,441,146)	\$ (711,842)
Items not involving cash		
Amortization	45,611	24,130
Gain on option payments and shares received	(12,496)	(144,397)
Stock-based compensation	125,208	289,972
Unrealized foreign exchange	12,317	—
Write off of marketable securities	42,343	—
Write off of resource properties	2,705,146	—
	(523,017)	(542,137)
Changes in non-cash working capital items related to operations:		
Receivables	(15,992)	(22,210)
Prepays	39,014	(35,724)
Accounts payable and accrued liabilities	2,591	144,706
Net Cash used in operating activities	(497,404)	(455,365)
Cash Flows From Investing Activities		
Purchase of equipment	(19,247)	(119,873)
Proceeds from option on mineral properties	—	290,325
Expenditures on mineral properties	(1,506,718)	(2,081,725)
Net Cash used in investing activities	(1,525,965)	(1,911,273)
Cash Flows From Financing Activities		
Proceeds from issuance of share capital, net of share issue costs	—	4,842,564
Net cash provided by financing activities	—	4,842,564
Foreign exchange on opening cash and cash equivalents	(174)	—
Increase (decrease) in cash	(2,023,543)	2,475,926
Cash and cash equivalents beginning of year	2,982,563	506,637
Cash and cash equivalents end of year	\$ 959,020	\$ 2,982,563
Supplementary disclosure of cash flow information		
Cash paid for:		
Interest	\$ —	\$ —
Income taxes	\$ —	\$ —

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Continued

COREX GOLD CORPORATION
 (An Exploration Stage Company)
 CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31 2008	December 31 2007
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>-</u>	<u>-</u>
Non-cash financing and investing activities:		
Transfer of deferred development costs to equipment	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents represented by:		
Cash	\$ 332,045	\$ 331,063
Banker's acceptance	600,525	-
Guaranteed Investment Certificates	<u>26,450</u>	<u>2,651,500</u>
	<u>\$ 959,020</u>	<u>\$ 2,982,563</u>

Non-cash Transactions – Note 9

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

The Company is incorporated under the Company Act of British Columbia, is in the exploration stage and its shares are publicly traded on the TSX Venture Exchange under the symbol CGE.

The Company's resource properties are without a known body of commercial ore. The business of exploring for resources and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amount shown for resource properties is dependent upon the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, discovery of economically recoverable reserves and future profitable production. There is no assurance that the Company will be successful in recovering the amounts shown for resource properties.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities and commitments in the ordinary course of business. At December 31, 2008, the Company has recurring losses, has an accumulated deficit of \$18,548,577 and has not generated cash from operating activities since inception with the exception of the proceeds from a bulk sampling program. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may differ from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized as follows:

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned U.S. subsidiary, Latitude Operating Company (incorporated in Nevada) and its wholly-owned Mexican subsidiary, Corex Global S. de R.L. de C.V. ("Corex Global"). All inter-company transactions and balances have been eliminated.

Cash and Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash and have maturities of three months or less when purchased.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equipment and Amortization

Equipment is recorded at cost and is amortized over their useful lives using the straight-line method with the following annual rates:

Field equipment	10 - 30%
Furniture and equipment	20%
Computer equipment	30%
Vehicles	30%

Resource Properties

The Company capitalizes the cost of acquiring, maintaining its interest, exploring and developing resource properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Proceeds received on the sale of interests in resource properties are credited to the carrying value of the resource properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

Management reviews the carrying value of resource properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized and is measured as the excess of the carrying value of the asset over its fair value. Management believes there are no further impairment provision required for the Company's long-lived assets as at December 31, 2008 and 2007.

Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period in which the liability is incurred with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. At December 31, 2008 and 2007, the Company did not have any asset retirement obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Stock-based Compensation

The fair value of all share purchase options granted are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Foreign Currency Translation

The accounts of the non-Canadian subsidiaries, which are considered to be dependent on the Company, and transactions of the Company denominated in foreign currencies, are translated to Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the current rate of exchange and other assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the period, except for depreciation and amortization, which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized in the consolidated statements of loss and deficit.

Loss Per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the year ended December 31, 2008 potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 4,229,200 (2007: 4,864,609) were not included in the computation of loss per share because their effect was anti-dilutive.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date. The value of future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas required the use of management estimates relate to assumptions used in determining the fair value of non-cash stock-based compensation, the determination of impairment in mineral properties and valuation allowance relating to future tax assets. Actual results could differ from those estimates.

Financial instruments:

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed in the period in which they occur.

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, all net of income taxes. Cumulative changes in other comprehensive loss will be included in accumulated other comprehensive loss (Note 10) which is presented as a category in shareholders' equity.

Comparative Figures

Certain financial statement line items from the prior period have been reclassified to conform with current year's presentation

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recently Adopted Accounting Pronouncements

On January 1, 2008, the Company adopted four accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation, General Standards of Financial Statement Presentation, Handbook Section 1400. The requirements of these new standards are for disclosure purposes only and have not impacted the financial results of the Company.

i) Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This disclosure is summarized in Note 12.

ii) Financial Instruments

The new Sections 3862 and 3863 replaced Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. This disclosure is summarized in Note 11.

iii) General Standards of Financial Statement Presentation

Effective January 1, 2008, the Company adopted Handbook Section 1400, "General standards of Financial Statement Presentation". This section provides guidance related to management's assessment of the Company's ability to continue as a going concern (Note 1). The additional requirement requires management to make an assessment of the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

Future Accounting Changes

i) Financial Statement Concepts

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this change on its financial statements.

COREX GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(An Exploration Stage Company)
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Future Accounting Changes (cont'd)

ii) Goodwill and Intangible Assets

CICA Handbook Section 3064 replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements.

iii) International Financial Reporting Standards ("IFRS")

In 2006, The Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. EQUIPMENT

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Field equipment	\$ 136,433	\$ 41,505	\$ 94,928
Furniture and equipment	11,021	10,485	536
Computer equipment	18,422	15,763	2,659
Vehicles	26,221	25,183	1,038
Total	\$ 192,097	\$ 92,936	\$ 99,161

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Field equipment	\$ 119,873	\$ 9,338	\$ 110,535
Furniture and equipment	11,021	8,281	2,740
Computer equipment	15,735	11,630	4,105
Vehicles	26,221	17,317	8,904
Total	\$ 172,850	\$ 46,566	\$ 126,284

COREX GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. MARKETABLE SECURITIES

	December 31, 2008			December 31, 2007		
	No. of Shares	Cost	Fair Value	No. of Shares	Cost	Fair Value
Hemis Gold Corporation		\$	\$		\$	\$
- Shares available for sale	25,000	12,496	31	25,000	12,496	1,308
- Restricted shares available for sale ⁽¹⁾	100,000	30,000	122	100,000	30,000	5,300
Total	125,000	42,496	153	125,000	42,496	6,608

During the year ended December 31, 2008, \$42,343 (2007: \$Nil) was recorded as realized loss on available for sale investments. Accordingly, \$23,392 (2007: (\$35,888)) was recorded on the statement of comprehensive loss to reflect the change.

⁽¹⁾ See Note 5 Resource Properties

5. RESOURCE PROPERTIES

Period ended December 31, 2008	Caliche Property Mexico	Santana Property Mexico	Cumeral Property Mexico	Total
Acquisition costs, beginning of year	\$ 78,810	\$ —	\$ —	\$ 78,810
Cash payments	51,884	47,580	15,227	114,691
Acquisition costs, end of year	130,694	47,580	15,227	193,501
Deferred exploration costs, beginning of year	2,009,262	945	—	2,010,207
Drilling	78,734	99,260	—	177,994
Field supplies and equipment	21,043	74,387	18,296	113,726
Geological consulting – Note 7	61,260	49,902	7,662	118,824
Geological surveys	62,013	229,838	61,111	352,962
Legal	1,201	3,033	3,330	7,564
Taxes and recording fees	53,298	97,147	29,423	179,868
Mapping	3,481	3,021	255	6,757
Sampling	72,911	48,230	9,780	130,921
Site visits and vehicle costs – Note 7	24,321	34,379	24,214	82,914
Trenching and roadwork	17,317	—	313	17,630
Deferred exploration costs, end of year	2,404,841	640,142	154,384	3,199,367
Write-off of resource properties	(2,535,535)	—	(169,611)	(2,705,146)
Total costs, December 31, 2008	\$ —	\$ 687,722	\$ —	\$ 687,722

COREX GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. RESOURCE PROPERTIES (cont'd)

Year ended December 31, 2007	Zuloaga/ Santa Rita Mexico	Caliche Property Mexico	Santana Property Mexico	Total
Acquisition costs, beginning of year	\$ 33,204	\$ 11,664	\$ —	\$ 44,868
Cash payments	—	67,146	—	67,146
Acquisition costs, end of year	33,204	78,810	—	112,014
Deferred exploration costs, beginning of year	138,351	—	—	138,351
Drilling	—	441,142	—	441,142
Field supplies and equipment	—	6,225	—	6,225
Geological consulting – Note 7	—	168,869	—	168,869
Geological surveys	—	485,723	—	485,723
Legal	—	30,128	—	30,128
Taxes and recording fees	—	266,583	—	266,583
Mapping	43,612	10,982	—	54,594
Sampling	—	291,763	—	291,763
Site visits and vehicle costs – Note 7	—	278,033	945	278,978
Trenching and roadwork	—	29,814	—	29,814
Less: write off of resource properties	(39,239)	—	—	(39,239)
Deferred exploration costs, end of year	142,724	2,009,262	945	2,152,931
Option payments and shares received	(320,325)	—	—	(320,325)
Net gain on option payments and shares received	(144,397)	—	—	(144,397)
Total costs, December 31, 2007	\$ —	\$ 2,088,072	\$ 945	\$ 2,089,017

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, titles to all of its properties are in good standing.

MEXICO

Zuloaga/Santa Rita Properties

As at December 31, 2008, the Company had staked and has a 100% interest in 16,986 hectares in Zacatecas, Mexico that comprises the Zuloaga property and had staked and has a 100% interest in 22,982 hectares in Zacatecas, Mexico that comprises the Santa Rita property.

In June 2006, the Company entered into an option agreement with Hemis Corporation (“Hemis”) whereby Hemis could earn a 49% interest in the Santa Rita property by spending US\$950,000 in exploration expenditures over a three year term and by issuing the Company 200,000 common shares of Hemis (25,000 shares received as at December 31, 2006). Hemis became a publicly listed entity subsequent to December 31, 2006 and accordingly the market value of the shares when received was not determinable. Effective January 1, 2007 the shares were recorded at their fair value of \$12,496 upon adoption of the current financial instruments policy.

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5. RESOURCE PROPERTIES (cont'd)

MEXICO (cont'd)

Zuloaga/Santa Rita Properties (cont'd)

On January 25, 2007, the Company entered into an earn-in agreement with Goldcorp Inc.'s Mexican subsidiary, Glamis Exploration S.A. de C.V ("Goldcorp") (the "Earn-In Agreement"). Under the terms of this Earn-In Agreement, Goldcorp has the right to earn up to an 80% interest in the Zuloaga and Santa Rita properties (the "Zuloaga/Santa Rita Property"). The Earn-In Agreement provides for Goldcorp to earn a 70% interest in the Zuloaga/Santa Rita Property by spending US\$4,000,000 over a 5-year period and paying the Company US\$150,000 over an 18 month (US\$50,000 received on signing). During the year ended December 31, 2008, US\$50,000 (CDN\$48,190) received was recognized as other income. Goldcorp has the option to increase its interest from 70% to 80% upon paying 100% of the expenditures associated with placing the Zuloaga/Santa Rita Property or any part thereof, into commercial production based on a mine development project approved for all or part of the Zuloaga/Santa Rita Property, with 20% to be repayable to Goldcorp from the Company's related project cash-flows, or arranging the proportionate share of a debt financing.

In connection with the above-noted earn-in agreement, the option agreement with Hemis was replaced on January 29, 2007 such that Hemis may earn a 49% interest in whatever interest the Company holds in the Santa Rita property by paying the Company US\$1,000,000 over two years with US\$200,000 due on signing (received) and issuing the Company 175,000 common shares over an eighteen month period. On June 4, 2007, the Company received 25,000 shares valued at \$21,750, the fair market value of the shares at that date.

On September 20, 2007 the Company issued a notice of default wherein Hemis had not made a scheduled US\$200,000 payment or issued the 75,000 additional common shares due on or before July 31, 2007. The Company allowed an extension to October 31, 2007 based on the 75,000 common shares, with a fair market value of the shares on that date of \$8,250, being issued to the Company on or before October 12, 2007 (received) and the cash payment due on or before October 31, 2007. The cash payment was not received and as such the option agreement with Hemis was terminated effective October 31, 2007. As at December 31, 2008, 100,000 of the shares received are restricted from resale (Note 4).

Caliche Properties

The Company entered into a Memorandum of Understanding dated December 15, 2006, wherein it was granted an exclusive due diligence period of 45 days to review certain data and information pertaining to an area located in the Sonora State of Mexico, known as the Caliche Property which consists of thirteen contiguous mining concessions of approximately 1,500 hectares. The Company paid the vendor \$11,664 (US\$10,000) in consideration of the exclusive review period.

On February 7, 2007, the Company entered into two property option agreements to acquire a 100% interest in the Caliche Property. The interest is earned by paying the optionors, collectively, US\$1,740,000 over three years as follows:

<u>Amount</u>	<u>Due date</u>	
US\$ 30,000	February 7, 2007	(Paid)
30,000	August 7, 2007	(Paid)
50,000	February 7, 2008	(Paid)
50,000	August 7, 2008	
100,000	February 7, 2009	
100,000	August 7, 2009	
<u>1,380,000</u>		
<u>US\$ 1,740,000</u>		

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5. RESOURCE PROPERTIES (cont'd)

MEXICO (cont'd)

Caliche Properties (cont'd)

As at August 7, 2008 the Company elected not to proceed under the terms of the Agreement and did not make any further payments. As at December 31, 2008, acquisition and deferred exploration costs of \$2,535,535 (2007 - \$Nil) were written off.

Santana Property

On December 11, 2007 the Company signed two property option agreements under which it collectively holds rights to acquire a 100% interest in two contiguous mining concessions. In addition to the concessions under option Corex has staked two additional contiguous concessions and all four are collectively known as the "Santana Property". The Santana Property covers approximately 7,000 hectares and is located approximately 200 kilometers east-southeast of Hermosillo, Sonora, Mexico. Terms of the above stated option agreements are as follows:

A) Santa Lucia – Option to Purchase Agreement

<u>Amount</u>	<u>Due date</u>	
US\$ 3,000	December 11, 2007	(Paid in 2008)
5,000	June 11, 2008	(Paid)
5,000	December 11, 2008	(Paid)
10,000	June 11, 2009	
10,000	December 11, 2009	
15,000	June 11, 2010	
<u>202,000</u>	December 11, 2010	
<u>US\$ 250,000</u>		

B) Hilda 35 Fraccion 1 - Option to Purchase Agreement

<u>Amount</u>	<u>Due date</u>	
US\$ 6,000	December 11, 2007	(Paid in 2008)
10,000	June 11, 2008	(Paid)
15,000	December 11, 2008	(Paid)
20,000	June 11, 2009	
30,000	December 11, 2009	
50,000	June 11, 2010	
75,000	December 11, 2010	
75,000	June 11, 2011	
<u>719,000</u>	December 11, 2011	
<u>US\$ 1,000,000</u>		

The Hilda 35 Fraccion 1 is also subject to a 2% net smelter return (NSR). Each 1% NSR can be purchased for US\$1,000,000 within the three years following the conclusion of the feasibility study with positive results.

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5. RESOURCE PROPERTIES (cont'd)

Cumeral Property

Corex had staked a mining concession of approximately 13,290 hectares, located in the municipality of Imuris, about 200 kilometers north of Hermosillo, Sonora, Mexico. In addition to the staked claims the Company entered into the following agreements which all collectively together are referred to as the "Cumeral Property:

In April 2008, the Company signed a property option agreement under which Corex held the rights to acquire a 100% interest in the Lluvia de Oro mining concession comprised of 660 hectares located in the municipality of Imuris, located approximately 200 kilometers north of Hermosillo, Sonora, Mexico. Terms of the option agreements are as follows:

Terms of the option agreements are as follows:

<u>Amount</u>	<u>Due date</u>	
US\$ 15,000	April 4, 2008	(Paid)
18,000	October 4, 2008	
25,000	April 4, 2009	
40,000	October 4, 2009	
60,000	April 4, 2010	
100,000	October 4, 2010	
492,000	April 4, 2011	
<u>US\$ 750,000</u>		

As per the terms of the option to purchase agreement, Lluvia de Oro is subject to a 1% net smelter return. The 1% NSR could be purchased for \$1,000,000. During October, 2008 the Company elected not to proceed under the terms of the Agreement and accordingly the acquisition and deferred exploration costs of \$169,611 have been written off as at December 31, 2008 (2007 - \$Nil).

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized:

Unlimited common shares at no par value

Issued:	Number	Amount	Contributed Surplus
Balance, December 31, 2006	16,984,510	\$ 14,700,412	\$ 343,822
– pursuant to exercise of warrants – at \$0.65	64,219	41,742	—
– pursuant to exercise of warrants – at \$0.75	312,625	234,469	—
– pursuant to private placement – at \$0.90	5,560,000	5,004,000	—
Share issue costs	—	(646,921)	209,274
Stock based compensation	—	—	289,972
Balance, December 31, 2007	22,921,354	19,333,702	843,068
Stock based compensation	—	—	125,208
Balance, December 31, 2008	22,921,354	\$ 19,333,702	\$ 968,276

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6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)

Authorized: (cont'd)

On June 6, 2007 the Company completed a private placement for 5,560,000 units at \$0.90 per unit for gross proceeds of \$5,004,000. Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each whole warrant is exercisable to purchase one common share of the Company at \$1.25 per share for two years. The Company paid the agent a fee of 7% of the gross proceeds raised in cash and issued to the agent 389,200 compensation options entitling the agent to acquire that number of shares for two years at \$0.94 per share ("Agent's Option"). Share issue costs include \$209,274 attributed to these options. (Note 6b). All of the proceeds on the sale of the units were allocated to share capital.

Escrowed Shares:

As at December 31, 2008 and 2007, 5,625 shares are held in escrow, subject to release by regulatory approval.

Commitments:

a) Stock-based Compensation Plan:

The Company has a stock option plan (the "Plan") for officers, directors, employees and consultants whereby a maximum of 10% of the issued shares will be reserved for issuance under the Plan. Options are granted with an exercise price determined by the Board of Directors, which may not be less than the market price of the Company's stock on the date of the grant. The vesting provisions are determined by the Board of Directors and are defined in each stock option agreement.

At December 31, 2008, 1,060,000 stock options were outstanding and exercisable under the Plan as follows:

<u>Number</u>	<u>Exercise price</u>	<u>Expiry Date</u>
360,000	\$0.65	October 3, 2010
335,000	\$1.04	February 14, 2012
<u>365,000</u>	\$0.40	February 5, 2013
<u>1,060,000</u>		

Details of stock option activity under the Plan for the period ended December 31, 2008, and 2007 are as follows:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Life</u>
Balance, December 31, 2006	1,330,409	\$0.42	2.45 years
Granted	365,000	\$1.04	
Balance, December 31, 2007	1,695,409	\$0.55	2.03 years
Granted	465,000	\$0.40	
Expired	(662,998)	\$0.25	
Forfeited	(437,411)	\$0.52	
Balance, December 31, 2008	1,060,000	\$0.69	3.00 years

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6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)

Commitments: (cont'd)

a) Stock-based Compensation Plan: (cont'd)

During the year ended December 31, 2008, a compensation charge associated with the granting of stock options under the Plan in the amount of \$125,208 (2007 - \$289,972) was recognized in the financial statements. For purposes of these calculations, the following assumptions were used for the Black-Scholes model:

	December 31, 2008	December 31, 2007
Risk-free interest rate	3.34%	4.06%
Expected dividend yield	0%	0%
Expected stock price volatility	95.71%	101.63%
Expected option life	5 years	5 years

b) Share Purchase Warrants:

At December 31, 2008, 3,169,200 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

<u>Number</u>	<u>Price Per Share</u>	<u>Expiry Date</u>
2,780,000	\$1.25	June 6, 2009
<u>389,200</u>	\$0.94	June 6, 2009
<u>3,169,200</u>		

A summary of the changes in the Company's share purchase warrants outstanding for the period ended December 31, 2008 and 2007 are as follows:

	Number	Weighted Average Exercise Price	Weighted Average Life
Balance, December 31, 2006	470,877	\$0.73	0.24 years
Exercised	(376,844)	\$0.73	
Expired	(94,033)	\$0.73	
Granted	3,169,200	\$1.21	
Balance, December 31, 2007 and 2008	3,169,200	\$1.21	0.43 years

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6. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)

Commitments: (cont'd)

b) Share Purchase Warrants: (cont'd)

The value of the agents options granted in accordance with a private placement in the amount of \$Nil (2007 - \$209,274) was allocated to share issue costs. For purposes of this calculation, the following assumptions were used for the Black-Scholes model: -

	Year ended December 31, 2007
Risk-free interest rate	4.67%
Expected dividend yield	0%
Expected stock price volatility	106.84%
Expected option life	2 years

7. RELATED PARTY TRANSACTIONS

The Company incurred the following amounts charged by (to) directors/officers of the Company and companies controlled by directors/officers of the Company for the period ended:

	December 31, 2008	December 31, 2007
Deferred exploration costs		
Geological consulting fees	\$ 62,760	\$ 165,760
Consulting fees	130,250	103,144
Rent (recovery)	(25,525)	(17,700)
	<u>\$ 167,485</u>	<u>\$ 251,204</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

At December 31, 2008, receivables include \$Nil (2007 - \$7,105) due from companies with common directors.

At December 31, 2008, prepaids include \$11,550 (2007 - \$7,950) of consulting fees paid to a director of the Company.

At December 31, 2008 accounts payable includes \$Nil (2007 - \$15,024) of geological consulting fees owing to a director of the Company and \$224 (2007 - \$Nil) of office expenses due to a company controlled by an officer of the Company.

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8. INCOME TAXES

The Company has accumulated non-capital losses totalling \$2,583,000 (2007 – \$2,239,000) available to reduce future years' taxable income. These losses expire as follows:

	<u>Canada</u>
2009	\$ 104,000
2010	113,000
2011	375,000
2015	406,000
2026	631,000
2027	515,000
2028	439,000
	<hr/>
	\$ 2,583,000

The Company has accumulated operating losses totalling \$3,412,000 (2007 – \$2,344,000) expiring between 2015 to 2018 available in its subsidiary to reduce future years' taxable income

The Company has accumulated capital losses of \$215,000 (2007 - \$215,000) which may be carried forward indefinitely and applied against future capital gains.

The Company has accumulated Canadian and foreign exploration and development expenditures totalling \$4,379,000 available to reduce future years' taxable income. These expenditures carry forward indefinitely and can be applied to taxable income at various rates.

A reconciliation of income taxes at statutory rates is as follows:

	December 31, <u>2008</u>	December 31, <u>2007</u>
a) Loss before income taxes	<u>\$ (3,441,146)</u>	<u>\$ (711,842)</u>
Statutory income tax rates	<u>31.00%</u>	<u>34.12%</u>
Computed income tax recovery	\$ (1,067,000)	\$ (243,000)
Foreign income taxed at other than Canadian statutory rate	86,000	18,000
Non-deductible stock-based compensation and other items	25,000	88,000
Effect of reduction in statutory rate	23,000	-
Foreign exchange gain on revaluation of future income tax asset balances	123,000	-
Expiry of loss carryforward	25,000	89,000
Increase in valuation allowance	<u>785,000</u>	<u>48,000</u>
Total income taxes (recovery)	<u>\$ -</u>	<u>\$ -</u>

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8. INCOME TAXES (cont'd)

b) Significant components of the Company's future income tax assets are as follows:

Non-capital loss carryforwards	\$ 1,627,000	\$ 1,239,000
Capital loss carryforwards	28,000	28,000
Resource costs	952,000	554,000
Share issue costs	10,000	19,000
Equipment	<u>(27,000)</u>	<u>(35,000)</u>
	2,590,000	1,805,000
Less: valuation allowance	<u>(2,590,000)</u>	<u>(1,805,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has recorded a valuation allowance against its future income tax assets based on the extent that it is more likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

9. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. Deferred exploration expenditures of \$4,085 was included in accounts payable at December 31, 2008 (2007 - \$195,618). During the year ended December 31, 2007, the Company received 100,000 shares valued at \$30,000 as an option payment. .

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Cumulative effect adjustment at January 1, 2007	\$	12,496
Unrealized loss on available for sale investments (Note 4)		(35,888)
Balance at December 31, 2007		(23,392)
Other than temporary decline in value transferred to statement of loss (Note 4)		23,392
Balance at December 31, 2008	\$	-

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2008 the Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest income on Canadian dollar cash. As at December 31, 2008, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balance to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options.

Currency risk

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk.

At December 31, 2008, approximately 6% (2007 – 71%) of the Company's accounts payable and accrued liabilities are denominated in Mexican Pesos. The Company does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

12. CAPITAL DISCLOSURE

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition and exploration of mineral properties. The Company's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern
- Maintain an optimal capital base in order to support the capital requirements of its operations, including growth opportunities and maintaining investor confidence.

The capital of the Company consists of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements. The Company relies on capital markets to support continued growth.

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13. SUBSEQUENT EVENTS

On February 2, 2009 the Company granted stock options in accordance with the terms of the Company's 10% fixed Stock Option Plan to various Directors, Officers and Consultants of the Company to acquire up to 1,000,000 common shares at \$0.11 per share exercisable up to February 2, 2014.

In addition, 1,060,000 previously granted options to directors, officers and consultants at prices ranging from \$0.40 to \$1.04 have been re-priced to \$0.20 per share. All other terms and conditions of these options remain the same. In accordance with the policies of the TSX-V the amended options are subject to shareholder approval and are not exercisable until such approval has been received at the Company's next general meeting.

14. SEGMENTED INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector relating to gold exploration. Due to the geographic and political diversity, the Company's exploration operations are decentralized whereby exploration manager is responsible for business results and regional corporate office provides support to the exploration programs in addressing local and regional issues. The Company's operations are therefore segmented on a district basis. The Company's assets are located in Canada and Mexico.

Details of identifiable assets by geographic segments are as follows:

	2008	2007
Total Assets		
Canada	\$ 841,023	\$ 3,302,918
Mexico	977,779	1,997,372
	<u>\$ 1,818,802</u>	<u>\$ 5,300,290</u>

	2008	2007
Property & Equipment		
Canada	\$ 4,233	\$ 15,749
Mexico	94,928	110,535
	<u>\$ 99,161</u>	<u>\$ 126,284</u>