

Financial Statements of:

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**Three Months Ended – March 31, 2009**

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

**#350 - 409 GRANVILLE STREET, VANCOUVER BC V6C 1T2**

**PHONE: (604) 683-2505 FAX: (604) 683-2506**

**WEBSITE: [www.corexgold.com](http://www.corexgold.com)**

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**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-103, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

BALANCE SHEETS

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED BALANCE SHEETS**  
March 31, 2009 and December 31, 2008

	March 31 2009	December 31 2008
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 805,465	\$ 961,287
Receivables -	61,203	50,704
Prepays - Note 7	19,585	19,775
Marketable securities - Note 4	153	153
	886,406	1,031,919
Equipment - Note 3	96,223	99,161
Resource properties – Note 5	715,775	687,722
	\$ 1,698,404	\$ 1,818,802
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities	\$ 74,625	\$ 65,401
Share capital - Notes 6	19,333,702	19,333,702
Contributed surplus	1,026,030	968,276
Deficit	(18,735,953)	(18,548,577)
Total shareholders' equity	1,623,799	1,753,401
	\$ 1,698,404	\$ 1,818,802

Nature of Operations and Ability to Continue as a Going Concern – Note 1  
Commitments – Notes 5 and 6

APPROVED BY THE DIRECTORS:

“Craig Schneider” Director  
Craig Schneider

“Alan Hitchborn” Director  
Alan Hitchborn

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

Three Months Ended March 31

*(unaudited prepared by management)*

	March 31 2009	March 31 2008
<b>ADMINISTRATIVE EXPENSES</b>		
Accounting and legal fees	\$ —	\$ 15,861
Amortization	2,937	3,688
Bank charges and interest	357	872
Consulting fees – Note 7	58,874	55,400
Filing fees	5,722	5,920
Investor relations, website development and marketing	8,242	40,383
Office and administration	19,833	23,713
Rent– Note 7	4,079	8,003
Shareholder communication	1,129	6,820
Stock based compensation	57,754	125,208
Telephone	4,118	8,004
Transfer agent fees	944	1,129
Travel	2,971	7,230
Vehicle	236	(142)
Wages	11,166	12,378
Loss before other items	(178,362)	(314,468)
<b>OTHER ITEMS</b>		
Interest income	2,270	17,759
Property evaluation	(4,431)	(7,512)
(Loss) gain on foreign exchange translation	(6,853)	507
Net Loss for the period	(187,376)	(303,713)
<b>Deficit, beginning of period</b>	<b>\$ (18,548,577)</b>	<b>\$ (15,107,431)</b>
<b>Deficit, end of period</b>	<b>\$ (18,735,953)</b>	<b>\$ (15,411,144)</b>
<b>Loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares</b>	<b>\$ 22,921,354</b>	<b>\$ 22,921,354</b>

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
Three Months Ended March 31  
*(unaudited prepared by management)*

	March 31 2009	March 31 2008
<b>Loss for the period before comprehensive loss</b>	\$ (187,376)	\$ (303,713)
Unrealized (loss) gain on available for sale investments	—	(1,608)
<b>Comprehensive loss for the period</b>	<b>\$ (187,376)</b>	<b>\$ (305,321)</b>

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Three Months Ended March 31  
*(unaudited prepared by management)*

	March 31 2009	March 31 2008
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (187,376)	\$ (303,713)
Items not involving cash		
Depreciation	2,937	3,688
Stockbased compensation	57,754	125,208
	(126,685)	(174,817)
Changes in non-cash working capital items related to operations:		
Receivables	(10,499)	(8,827)
Prepaid expenses	190	16,432
Accounts payable and accrued liabilities	9,225	(133,486)
Net cash used in operating activities	(127,769)	(300,698)
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	—	(3,680)
Expenditures on mineral properties	(28,053)	(478,628)
Net Cash provided used in investing activities	(28,053)	(483,308)
Increase (decrease) in cash	(155,822)	(783,006)
Cash and cash equivalents beginning of period	961,287	2,982,563
Cash and cash equivalents end of period	\$ 805,465	\$ 2,199,557
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**  
 Three Months Ended March 31  
*(unaudited prepared by management)*

	March 31 2009	March 31 2008
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$	\$
Income taxes		
Non-cash financing and investing activities:		
Transfer of deferred development costs to equipment	\$	\$
Cash and cash equivalents represented by:		
Cash	\$ 100,489	\$ 173,057
Banker's Acceptance	526,605	2,000,050
Guaranteed Investment Certificates	26,450	26,450
	\$ 653,544	\$ 2,199,557

Non-cash Transactions – Note 8

**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 March 31, 2009, the Company has recurring losses, has an accumulated deficit of \$18,678,199 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 March 31, 2009 and December 31, 2008.

### **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 March 31, 2009 and December 31, 2008, 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 period ended March 31, 2009 potentially dilutive common shares (relating to options and warrants outstanding at period-end) totalling 4,229,200 (2008: 2,160,475) were not included in the computation of loss per share because their effect was anti-dilutive.

### **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.

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

### **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 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

### **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 10.

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

### **Adopted Accounting Pronouncements (cont'd)**

#### *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 9.

#### *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.

#### *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.

**COREX GOLD CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(An Exploration Stage Company)  
March 31, 2009  
(unaudited prepared by management)

**3. EQUIPMENT**

	March 31, 2009		
	Cost	Accumulated Amortization	Net Book Value
Field equipment	\$ 136,433	\$ 41,505	\$ 94,928
Furniture and equipment	11,021	11,021	—
Computer equipment	18,422	17,127	1,295
Vehicles	26,221	26,221	—
<b>Total</b>	<b>\$ 192,097</b>	<b>\$ 98,884</b>	<b>\$ 96,223</b>

  

	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
<b>Total</b>	<b>\$ 192,097</b>	<b>\$ 92,936</b>	<b>\$ 99,161</b>

**4. MARKETABLE SECURITIES**

	March 31, 2009			December 31, 2008		
	No. of Shares	Cost	Fair Value	No. of Shares	Cost	Fair Value
<b>Hemis Gold Corporation</b>		\$	\$		\$	\$
- Shares available for sale	25,000	12,496	31	25,000	12,496	31
- Restricted shares available for sale <sup>(1)</sup>	100,000	30,000	122	100,000	30,000	122
<b>Total</b>	125,000	42,496	153	125,000	42,496	153

During the period ended December 31, 2008, \$42,343 was recorded as realized loss on available for sale investments.

<sup>(1)</sup> See Note 5 Resource Properties

**COREX GOLD CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(An Exploration Stage Company)  
March 31, 2009  
*(unaudited prepared by management)*

**5. RESOURCE PROPERTIES**

<b>For the period March 31, 2009</b>	<b>Santana Property Mexico</b>	<b>Total</b>
Acquisition costs, beginning of period	\$ 47,580	47,580
Cash payments	—	—
Acquisition costs, end of period	<b>47,580</b>	<b>47,580</b>
Deferred exploration costs, beginning of period	<b>640,142</b>	<b>640,142</b>
Drilling	—	—
Field supplies and equipment	419	419
Geological consulting – Note 7	10,685	10,685
Geological surveys	2,776	2,776
Legal	—	—
Taxes and recording fees	5,651	5,651
Mapping	2,100	2,100
Sampling	—	—
Site visits and vehicle costs	6,422	6,422
Trenching and roadwork	—	—
Deferred exploration costs, end of period	668,195	668,195
Option payments and shares received	—	—
<b>Total costs, March 31, 2009</b>	<b>\$ 715,775</b>	<b>715,775</b>

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

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**5. RESOURCE PROPERTIES (cont'd)**

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**

**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	
202,000	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	
719,000	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)**

**MEXICO (cont'd)**

**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	
1,380,000		
<u>US\$ 1,740,000</u>		

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 were written off.

**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>		

**5. RESOURCE PROPERTIES (cont'd)**

**MEXICO (cont'd)**

**Caliche Properties (cont'd)**

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.

**Zuloaga/Santa Rita Properties**

As at March 31, 2009, 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.

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 March 31, 2009, 100,000 of the shares received are restricted from resale (Note 4).

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**6. SHARE CAPITAL AND CONTRIBUTED SURPLUS**

Authorized: Unlimited common shares at no par value

Issued:	Number	Amount	Contributed Surplus
Balance, December 31, 2007	22,921,354	19,333,702	843,068
Stock based compensation	—	—	125,208
<b>Balance, December 31, 2008 and March 31, 2009</b>	<b>22,921,354</b>	<b>\$ 19,333,702</b>	<b>\$ 968,276</b>

Escrowed Shares:

As at March 31, 2009 and December 31, 2008, 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.

	Number	Weighted Average Exercise Price	Weighted Average Life
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
Granted	1,000,000	\$0.10	
Balance, March 31, 2009	2,060,000	\$0.10	3.34 years

At March 31, 2009, 2,060,000 stock options were outstanding and exercisable under the Plan as follows:

Number	Exercise price	Expiry Date
360,000 <sup>(1)</sup>	\$0.20	October 3, 2010
335,000 <sup>(1)</sup>	\$0.20	February 14, 2012
365,000 <sup>(1)</sup>	\$0.20	February 5, 2013
1,000,000	\$0.11	February 2, 2014
<u>2,060,000</u>		

(1) On February 2, 2009, the Company re-priced 1,060,000 stock options with an exercise price between \$0.40 - \$1.04 per share to an exercise price of \$0.20 per share.

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

Commitments: (cont'd)

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

During the period ended March 31, 2009, a compensation charge associated with the granting of stock options under the Plan in the amount of \$87,380 (2009 - \$125,208) was recognized in the financial statements. For purposes of these calculations, the following assumptions were used for the Black-Scholes model:

	March 31, 2009	March 31, 2008
Risk-free interest rate	2.2%	3.34%
Expected dividend yield	0%	0%
Expected stock price volatility	110.34%	95.71%
Expected option life	5 years	5 years

In addition to the grant of options, the Company re-priced 1,060,000 options with exercise prices of \$0.40 - \$1.04 per share to an exercise price of \$0.20 per share. The incremental fair value of stock-based compensation adjustment in the amount of \$29,626 (2008 – Nil) has been recorded as a credit with the offsetting entry to contributed surplus. This incremental value was measured by the difference between the fair value of the modified stock options and the value of the old options immediately before its terms were modified. This value is estimated at the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	March 31, 2009	March 31, 2008
Risk-free interest rate	2.2%	—
Expected dividend yield	0%	—
Expected stock price volatility	102.47 – 124.62%	—
Expected option life	1.67 – 4.01 years	—

b) Share Purchase Warrants:

At March 31, 2009, 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, 2008 and March 31, 2009	3,169,200	\$1.21	0.43 years

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**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:

	March 31 2009	March 31 2008
Deferred exploration costs		
Geological consulting fees	\$ 1,500	\$ 44,250
Consulting fees	43,374	22,500
Rent (recovery)	(18,658)	(12,000)
	<u>\$ 26,216</u>	<u>\$ 54,750</u>

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

At March 31, 2009, prepaids include \$8,925 (December 31, 2008 - \$11,550) of consulting fees paid to a director of the Company.

**8. 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. During the three month period ended March 31, 2009, and March 31, 2008 the Company did not enter into any non cash transactions.

**9. 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 March 31, 2009 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.

**9. FINANCIAL INSTRUMENTS (cont'd)**

**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 March 31, 2009, approximately 0.04% (December 31, 2008 – 6%) 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.

**10. 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.

**11. 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.

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**11. SEGMENTED INFORMATION (cont'd)**

Details of identifiable assets by geographic segments are as follows:

	<b>March 31 2009</b>	<b>December 31 2008</b>
Total Assets		
Canada	\$745,901	\$ 841,023
Mexico	952,503	977,779
	<u>\$ 1,698,404</u>	<u>\$ 1,818,802</u>

	<b>March 31 2009</b>	<b>December 31 2008</b>
Property & Equipment		
Canada	\$ 1,296	\$ 4,233
Mexico	94,297	94,928
	<u>\$96,223</u>	<u>\$ 126,284</u>