

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

**Year Ended – April 30, 2006**

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

To the Shareholders,  
Corex Gold Corporation

We have audited the consolidated balance sheets of Corex Gold Corporation as at April 30, 2006 and 2005 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada  
August 1, 2006

**“AMISANO HANSON”**  
Chartered Accountants

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED BALANCE SHEETS**  
April 30, 2006 and 2005

	2006	2005
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 835,882	\$ 844,120
Receivables – Note 6	59,367	11,532
Prepaid expenses – Note 6	27,574	10,266
	<u>922,823</u>	865,918
<b>Equipment – Note 3</b>	<b>39,659</b>	36,642
<b>Resource properties – Notes 4, 6 and 9</b>	<b>129,478</b>	420,920
	<u>\$ 1,091,960</u>	<u>\$ 1,323,480</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities – Note 6	\$ 26,942	\$ 52,296
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital – Notes 5 and 9</b>	<b>14,556,052</b>	13,650,055
<b>Contributed surplus</b>	<b>343,822</b>	101,476
<b>Deficit</b>	<b>(13,834,856)</b>	(12,480,347)
Total shareholders' equity	<u>1,065,018</u>	<u>1,271,184</u>
	<u>\$ 1,091,960</u>	<u>\$ 1,323,480</u>

Subsequent Events – Notes 4 and 9  
Commitments – Notes 4, 5 and 11

APPROVED BY THE DIRECTORS:

“Alan Hitchborn” Director  
Alan Hitchborn

“Craig Schneider” Director  
Craig Schneider

SEE ACCOMPANYING NOTES

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
For the Years Ended April 30, 2006 and 2005

	2006	2005
<b>General and Administrative Expenses</b>		
Accounting and legal fees	\$ 34,572	\$ 100,670
Amortization	11,973	2,999
Bank charges and interest	2,681	1,405
Consulting fees – Note 6	167,968	157,604
Filing fees	3,361	10,284
Investor relations, website development and marketing	22,662	45,405
Office and administration	14,078	17,388
Rent– Notes 6 and 11	17,155	14,800
Shareholder communication	16,949	15,444
Stock based compensation	285,396	—
Telephone	15,015	2,385
Transfer agent fees	8,174	8,790
Travel	29,280	35,364
Vehicle	145	927
<b>Loss before other items:</b>	<b>(629,409)</b>	<b>(413,465)</b>
<b>Other items</b>		
Interest income	13,233	—
Property evaluation – Note 6	(15,489)	(26,228)
Foreign exchange loss	(9,950)	(3,350)
Write off of resource properties – Note 4	(712,894)	—
<b>Net loss for the year</b>	<b>(1,354,509)</b>	<b>(443,043)</b>
<b>Deficit, beginning of year</b>	<b>(12,480,347)</b>	<b>(12,037,304)</b>
<b>Deficit, end of year</b>	<b>\$ (13,834,856)</b>	<b>\$ (12,480,347)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.09)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of shares outstanding</b>	<b>15,608,497</b>	<b>11,941,590</b>

SEE ACCOMPANYING NOTES

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended April 30, 2006 and 2005

	2006	2005
<b>Operating Activities</b>		
Net loss for the year	\$ (1,354,509)	\$ (443,043)
Add items not involving cash:		
Amortization	11,973	2,999
Stock based compensation expense	285,396	—
Write off of resource properties	712,894	—
	<u>(344,246)</u>	<u>(440,044)</u>
Changes in non-cash working capital items related to operations:		
Receivables	(47,835)	(7,830)
Prepaid expenses	(17,308)	1,009
Accounts payable and accrued liabilities	(25,354)	12,098
	<u>(434,743)</u>	<u>(434,767)</u>
<b>Investing Activities</b>		
Expenditures on resource properties	(421,452)	(362,966)
Purchase of capital assets	(14,990)	(39,641)
	<u>(436,442)</u>	<u>(402,607)</u>
<b>Financing Activity</b>		
Proceeds from issuance of share capital, net of share issue costs	862,947	1,261,165
Increase (decrease) in cash during the year	(8,238)	423,791
Cash, beginning of the year	844,120	420,329
Cash, end of the year	<u>\$ 835,882</u>	<u>\$ 844,120</u>
<b>Supplementary disclosure of cash flow information</b>		
Cash paid for:		
Interest	\$ —	\$ —
Income taxes	\$ —	\$ —

Non-cash Transactions – Note 8

## **COREX GOLD CORPORATION**

(An Exploration Stage Company)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2006 and 2005

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#### **1. NATURE OF OPERATIONS**

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

The Company's mineral properties are without a known body of commercial ore. The business of exploring for minerals 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 mineral property costs 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 mineral properties.

#### **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.

##### **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:

Furniture and equipment	20%
Computer equipment	30%
Vehicles	30%

## **COREX GOLD CORPORATION**

(An Exploration Stage Company)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2006 and 2005

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

### **Resource Properties**

The Company capitalizes the cost of acquiring, maintaining its interest, exploring and developing mineral 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 mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

Management reviews the carrying value of mineral 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. Management believes there has been no impairment of the Company's long-lived assets as at April 30, 2006.

### **Asset Retirement Obligations**

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, 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, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At April 30, 2006, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

### **Financial Instruments**

The carrying value of cash, receivables and accounts payable and accrued liabilities approximate fair value as a result of the short maturity of those instruments. 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.

## **COREX GOLD CORPORATION**

(An Exploration Stage Company)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2006 and 2005

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## **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 and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

### **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 year, 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 currently in earnings.

### **Loss Per Share**

Basic loss per share is computed by dividing the loss for the year 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. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

### **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.

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2006 and 2005

**3. EQUIPMENT**

	April 30, 2006		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 14,864	\$ 4,867	\$ 9,997
Computer equipment	13,321	4,060	9,261
Vehicle	26,446	6,045	20,401
<b>Total</b>	<b>\$ 54,631</b>	<b>\$ 14,972</b>	<b>\$ 39,659</b>

  

	April 30, 2005		
	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 4,100	\$ 820	\$ 3,280
Computer equipment	9,095	1,303	7,792
Vehicle	26,446	876	25,570
<b>Total</b>	<b>\$ 39,641</b>	<b>\$ 2,999</b>	<b>\$ 36,642</b>

**4. RESOURCE PROPERTIES**

<b>Year ended April 30, 2006</b>	Zuloaga/ Santa Rita Mexico	El Trebol Mexico	Puerto De los Viejos Mexico	Total
Acquisition costs, beginning of year	\$ 33,204	\$ 36,899	\$ 1,977	\$ 72,080
Cash payments	—	25,200	—	25,200
Less: acquisition costs written-off	—	(62,099)	(1,977)	(64,076)
Acquisition costs, end of year	33,204	—	—	33,204
Deferred exploration costs, beginning of year	70,687	273,585	4,568	348,840
Mapping	—	305	—	305
Sampling	—	53,068	—	53,068
Field supplies and equipment	—	21,366	—	21,366
Drilling and site preparation	—	94,031	—	94,031
Geological consulting – Note 6	2,595	90,645	—	93,240
Site visits and vehicle costs	—	22,954	—	22,954
Government taxes	—	34,495	—	34,495
Trenching	—	30,867	—	30,867
Legal	—	11,865	—	11,865
Property taxes	22,992	11,069	—	34,061
Less: deferred exploration costs written-off	—	(644,250)	(4,568)	(648,818)
Deferred exploration costs, end of year	96,274	—	—	96,274
<b>Total costs, end of year</b>	<b>\$ 129,478</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 129,478</b>

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2006 and 2005

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

<b>Year ended April 30, 2005</b>	Zuloaga/ Santa Rita Mexico	El Trebol Mexico	Puerto De los Viejos Mexico	Total
Acquisition costs, beginning of year	\$ 33,204	\$ —	\$ —	\$ 33,204
Shares issued				
For property payment	—	18,000	—	18,000
For finders' fees	—	6,750	—	6,750
Finders' fees payments	—	8,040	—	8,040
Cash payments	—	4,109	1,977	6,086
Acquisition costs, end of year	33,204	36,899	1,977	72,080
Deferred exploration costs, beginning of year	—	—	—	—
Mapping	830	2,812	—	3,642
Sampling	139	24,001	—	24,140
Field supplies and equipment	—	6,264	—	6,264
Geological consulting – Note 6	67,960	136,155	—	204,115
Geological surveys	145	32,117	—	32,262
Site visits and vehicle costs	1,613	35,216	—	36,289
Government taxes	—	24,414	—	24,414
Legal	—	5,526	—	5,526
Property taxes	—	7,080	4,568	11,648
Deferred exploration costs, end of year	70,687	273,585	4,568	348,840
<b>Total costs, end of year</b>	<b>\$ 103,891</b>	<b>\$ 310,484</b>	<b>\$ 6,545</b>	<b>\$ 420,920</b>

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, title to all of its properties are in good standing.

**MEXICO**

**Zuloaga/Santa Rita Properties**

During the year ended April 30, 2004, the Company staked 16,896 hectares in Zacatecas, Mexico that comprises the Zuloaga Property and is owned 100% by the Company.

During the year ended April 30, 2005, the Company staked a further 22,982 hectares in Zacatecas, Mexico that comprises the Santa Rita Property and is owned 100% by the Company.

In June 2006, the Company entered into an option agreement with Hemis Corporation ("Hemis") whereby Hemis can earn a 49% interest in the Santa Rita property by spending USD\$950,000 in exploration expenditures over a three year term and by issuing the Company 200,000 common shares in the capital stock of Hemis.

## **COREX GOLD CORPORATION**

(An Exploration Stage Company)

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2006 and 2005

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#### **4. RESOURCE PROPERTIES (cont'd)**

##### **El Trebol Property**

By a Memorandum of Understanding ("MOU") dated May 28, 2004, the Company obtained an option to acquire a 100% interest in four mining claims consisting of 344 hectares located in Zacatecas, Mexico collectively known as the "El Trebol" Property. On signing the MOU the Company made a cash payment of US\$3,000 to the optionor and paid a finders' fee of US\$6,000 to an unrelated third party. A finder's fee of 15,000 common shares was issued.

On December 3, 2004 the Company entered into an option agreement wherein the Company may earn a 100% interest in the El Trebol property, subject to a 2% net smelter return royalty for consideration of US\$200,000 cash over a four year period, issuing an aggregate of 80,000 common shares and incurring an aggregate of US\$2,000,000 in exploration expenditures over a five year period on the property.

On December 13, 2005 the Company negotiated an amendment to the agreement whereby the due dates for outstanding cash payments and obligation to issue common shares of the Company were extended by six months. All other terms and conditions of the formal agreement executed on December 3, 2004 remained the same.

Subsequent to April 30, 2006, upon review of the exploration data received to date, the Company elected to terminate the option on the El Trebol property. As at April 30, 2006, acquisition and deferred exploration costs of \$706,349 were written off.

##### **Puerto de Los Viejos Property**

On May 29, 2004, the Company signed a MOU to acquire up to a 100% interest in the Puerto De Las Viejos Property located in the State of Zacatecas, Mexico, which lies contiguous to the El Trebol property. Consideration consists of US\$14,000 cash, the issuance of 10,000 common shares and incurring exploration expenditures of US\$500,000.

During reconnaissance work, the Company discovered that the optionors had lost title to the property as a result of unpaid property taxes. The Company does not anticipate signing a formal agreement under the terms of the MOU as a result of the owner's loss of title and has determined not to proceed any further on this acquisition. As at April 30, 2006, acquisition and deferred exploration costs of \$6,545 were written off.

**COREX GOLD CORPORATION**  
(An Exploration Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 30, 2006 and 2005

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**5. SHARE CAPITAL**

Authorized:  
Unlimited common shares at no par value

Issued:	Number	Amount
Balance, April 30, 2004	11,427,446	\$ 12,364,140
For cash:		
– pursuant to exercise of warrants – at \$0.25	376,666	94,167
– pursuant to exercise of warrants – at \$0.50	20,000	10,000
– pursuant to private placements – at \$0.60	2,103,000	1,261,800
Less: share issue costs	97,750	(104,802)
For resource property option agreement – at \$0.45	40,000	18,000
For finders' fee on resource property – at \$0.45	15,000	6,750
Balance, April 30, 2005	14,079,862	13,650,055
For cash:		
– pursuant to exercise of options – at \$0.25	287,000	71,750
– pursuant to exercise of warrants – at \$0.25	2,120,350	530,088
– pursuant to exercise of warrants – at \$0.65	65,250	42,412
– pursuant to exercise of warrants – at \$0.75	288,417	216,313
Add: share issue costs recovered	—	2,384
Contributed surplus reclassified on exercise of share purchase options	—	43,050
<b>Balance, April 30, 2006</b>	<b>16,840,879</b>	<b>\$ 14,556,052</b>

Escrowed Shares:

As at April 30, 2006, 5,625 shares are held in escrow, subject to release by regulatory approval.

Commitments:

Share Purchase Warrants:

At April 30, 2006, 514,508 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>
27,033	\$0.65	February 7, 2007
81,350	\$0.65	March 28, 2007
406,125	\$0.75	March 28, 2007
514,508		

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2006 and 2005

**5. SHARE CAPITAL (cont'd)**

Commitments: (cont'd)

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 April 30, 2006, 1,330,409 stock options were outstanding under the Plan as follows:

<u>Number</u>	<u>Exercise price</u>	<u>Expiry Date</u>
762,998	\$0.25	September 2, 2008
87,411	\$0.60	January 15, 2009
<u>480,000</u>	<u>\$0.65</u>	<u>October 3, 2010</u>
<u>1,330,409</u>		

Details of stock option activity under the Plan for the two years ended April 30, 2006 is as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Options outstanding, beginning of year	1,137,409	\$0.28	1,137,409	\$0.28
Granted	480,000	\$0.65	—	—
Exercised	(287,000)	\$0.25	—	—
Outstanding and exercisable, end of year	<u>1,330,409</u>	<u>\$0.42</u>	<u>1,137,409</u>	<u>\$0.28</u>

During the year ended April 30, 2006, a compensation charge associated with the granting of stock options under the Plan in the amount of \$285,396 was recognized in the financial statements. For purposes of the calculation, the following assumptions were used for the Black-Scholes model:

Risk-free interest rate	3.64%
Expected dividend yield	0%
Expected stock price volatility	73.55%
Expected option life	5 years

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

APRIL 30, 2006 and 2005

**6. RELATED PARTY TRANSACTIONS**

The Company incurred the following amounts charged by directors/officers of the Company and companies controlled by directors/officers of the Company:

	Year ended April 30,	
	<u>2006</u>	<u>2005</u>
Geological consulting fees-deferred exploration	\$ 61,360	\$ 129,563
Property evaluation	10,216	—
Consulting fees	95,784	65,000
Rent (recovery)	<u>(13,500)</u>	<u>—</u>
	<u>\$ 153,860</u>	<u>\$ 194,563</u>

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

At April 30, 2006, receivables include \$12,200 (April 30, 2005 - \$Nil) due from a company with common directors.

At April 30, 2006, prepaid expenses include \$8,032 (April 30, 2005 - \$Nil) of expense advances and management fees for a director of the Company.

At April 30, 2006, accounts payable and accrued liabilities include \$3,193 (April 30, 2005 - \$16,742) due to a director of the Company and to a company controlled by an officer of the Company.

During the year ended April 30, 2006, the Company issued 278,500 shares to directors of the Company pursuant to the exercise of stock options and share purchase warrants for total proceeds of \$69,625.

**7. INCOME TAXES**

Significant components of the Company's future tax assets and liabilities, after applying enacted corporation income tax rates, are as follows:

	<u>2006</u>	<u>2005</u>
Future income tax assets		
Non-capital losses carried forward	\$ 757,631	\$ 845,330
Capital losses	75,226	214,931
Resource deductions	1,194,615	1,306,921
Other	27,732	—
Valuation allowance for future income tax assets	<u>(2,055,204)</u>	<u>(2,367,182)</u>
Net future income tax assets	<u>\$ —</u>	<u>\$ —</u>

Management considers it more likely than not that the amounts will not be utilized and accordingly, a full valuation allowance has been applied.

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**APRIL 30, 2006 and 2005

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**7. INCOME TAXES (cont'd)**

The Company has accumulated Canadian exploration and development expenses totalling \$3,467,952, net capital losses of \$214,931, and non-capital losses totalling \$2,164,661, which can be utilized to offset taxable income of future years. The non-capital losses expire as follows:

2007	261,878
2008	95,188
2009	104,162
2010	112,762
2014	354,176
2015	879,477
2016	357,018
	<hr/>
	\$ 2,164,661

**8. NON-CASH TRANSACTIONS**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flow. The following transactions have been excluded from the statements of cash flows:

During the year ended April 30, 2005:

- the Company issued 97,750 common shares pursuant to a finders' fee on a private placement;
- the Company issued 40,000 common shares at \$0.45 per share pursuant to a resource property option agreement; and
- the Company issued 15,000 common shares at \$0.45 per share pursuant to a finders' fee paid on a resource property option.

**9. SUBSEQUENT EVENTS**

Subsequent to April 30, 2006, the Company:

- a) entered into an option agreement with Viceroy Exploration Ltd. ("Viceroy"), a company with a common director, whereby Corex can earn a 60% interest in the Evelina Property located in Argentina by incurring minimum annual exploration expenditures aggregating to US \$3.5 million over four years, and by issuing a total of 800,000 common shares (100,000 subsequently issued) over four years. Viceroy has the right to increase its interest to 60%, thereby reducing Corex's interest to 40% by incurring one and a half times the US\$3,500,000 expenditures made by Corex.
- b) issued 43,631 common shares pursuant to the exercise of warrants for proceeds of \$29,360.

**COREX GOLD CORPORATION**

(An Exploration Stage Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**APRIL 30, 2006 and 2005

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**10. SEGMENTED INFORMATION**

The Company operates in one reportable segment, being the exploration and evaluation of mineral properties for development. Geographical information is as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Canada</u>	<u>Mexico</u>	<u>Canada</u>	<u>Mexico</u>
Current assets	\$ 917,093	\$ 5,730	\$ 836,634	\$ 29,284
Capital assets	39,457	202	36,416	226
Resource properties	—	129,478	—	420,920
<b>Total assets</b>	<b>\$ 956,550</b>	<b>\$ 135,410</b>	<b>\$ 873,050</b>	<b>\$ 450,430</b>
<b>Net loss for the year</b>	<b>\$ (611,684)</b>	<b>\$ (742,825)</b>	<b>\$ (406,406)</b>	<b>\$ (36,637)</b>

**11. COMMITMENTS**

Effective August 1, 2005 the Company entered into a three-year lease agreement for office space at a rate of \$3,000 per month. The Company leases out a portion of the office for \$1,500 per month under an agreement for the term of the head lease.