COLIBRI RESOURCE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Colibri Resource Corporation are the responsibility of the Company's management. The financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors acts as management. The Board is responsible for the company's financial reporting responsibilities, and for approving the financial information included in the annual report

The financial statements have been audited by Meyers Norris Penny LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

Lance D. Geselbracht
President and Chief Executive Officer
Colibri Resource Corporation

William R. Walker
Chief Financial Officer
Colibri Resource Corporation

March 19, 2009

To the Shareholders of:

Colibri Resource Corporation:

We have audited the consolidated balance sheets of Colibri Resource Corporation as at November 30, 2008 and 2007 and the consolidated statements of operations, comprehensive income 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 November 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Nanaimo, British Columbia

March 19, 2009

Chartered Accountants

COLIBRI RESOURCE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

	2008	2007
EXPENSES, ADMINISTRATIVE AND GENERAL		
Accounting and audit fees	$ 81,437	$ 64,148
Advertising and promotion	14,253	2,256
Amortization	19,357	13,402
Consulting	-	25,890
Foreign exchange	11,487	17,274
Legal	16,794	17,319
Management fees	90,000	52,500
Office and miscellaneous	26,882	31,343
Rent	21,113	29,563
Stock based compensation	12,669	253,779
Telephone	2,159	5,415
Transfer agent and filing fees	11,556	26,140
Travel and related costs	29,483	27,478
LOSS BEFORE OTHER ITEMS	(337,190)	(566,507)
OTHER ITEMS		
Interest	61,595	89,794
Loss on sale of equipment	-	(1,436)
	61,595	88,358
LOSS BEFORE INCOME TAXES	(275,595)	(478,149)
FUTURE INCOME TAX EXPENSE (Note 11)	-	(73,000)
NET LOSS AND COMPREHENSIVE LOSS	(275,595)	(551,149)
DEFICIT, beginning of year	(1,166,404)	(615,255)
DEFICIT, end of year	$(1,441,999)	$(1,166,404)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding	34,190,791	27,567,432

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

COLIBRI RESOURCE CORPORATION

CONSOLIDATED BALANCE SHEETS

NOVEMBER 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT		
Cash	$1,648,539	$3,738,750
Accounts receivable	1,864	11,997
GST receivable	14,293	11,311
Prepaid expenses	26,199	119,787
	1,690,895	3,881,845
EQUIPMENT (Note 5)	37,894	52,469
MINERAL PROPERTIES (Note 6)	5,277,748	3,423,150
	$7,006,537	$7,357,464
LIABILITIES		
CURRENT		
Accounts payable and accruals	$ 99,618	$ 206,264
Accounts payable to related parties (Note 7)	11,569	30,925
	111,187	237,189
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 8)	5,813,413	7,772,295
CONTRIBUTED SURPLUS (Note 8)	2,523,936	514,384
DEFICIT	(1,441,999)	(1,166,404)
	6,895,350	7,120,275
	$7,006,537	$7,357,464

Approved on behalf of the Board:

"*Lance D. Geselbracht*" Director

"*William R. Walker*" Director

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

COLIBRI RESOURCE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007

	2008	**2007**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	$ (275,595)	$ (551,149)
Add: Items not requiring the use of cash		
Amortization	19,357	13,402
Stock-based compensation	12,669	253,779
Accrued interest income	10,134	(232)
Future income taxes	-	73,000
Loss on sale of equipment	-	1,436
Change in non-cash working capital items:		
(Increase) decrease in receivables	(2,983)	9,015
(Increase) decrease in prepaid expenses	(3,415)	496
(Decrease) increase in accounts payable and accrued liabilities	26,503	(551)
	(213,330)	(200,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock (net of costs)	-	4,393,833
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(4,782)	(62,824)
Proceeds from sale of equipment	-	500
Acquisition of mineral properties and deferred exploration costs	(1,872,099)	(1,535,148)
	(1,876,881)	(1,597,472)
(DECREASE) INCREASE IN CASH DURING THE YEAR	(2,090,211)	2,595,557
CASH, beginning of year	3,738,750	1,143,193
CASH, end of year	$1,648,539	$ 3,738,750

Supplemental disclosure with respect to cash flows (Note 9)

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

1. NATURE AND CONTINUANCE OF THE BUSINESS

Colibri Resource Corporation ("the Company") was incorporated on February 20, 2004 in the Province of British Columbia. The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather that through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Colibri Resource Corporation and its wholly owned subsidiary, Minera Halcones S.A. de C.V. ("Halcones"). Halcones was incorporated on March 30, 2004 in Mexico. All inter-company accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of asset retirement obligations, environmental obligations, impairment of mineral properties, the assumptions used in the determination of the fair value of stock-based compensation and warrants, rates for amortization, accrued liabilities, and the determination of a valuation allowance for future income tax assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options, with a corresponding increase to contributed surplus. When stock options are exercised the corresponding fair value is transferred from contributed surplus to capital stock. In the event that unvested options are cancelled, previously recognized compensation expense associated with such options is reversed.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permitting to complete the development of the properties, and future profitable production from the disposition of the metals produced from the properties.

Impairment of long-lived assets

Long-lived assets consist of equipment and mineral properties. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use wherever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized where undiscounted future cash flows from its use and disposal are less than the assets carrying amount. Impairment loss is measured as the amount by which the asset carrying value exceeds fair value. Discounted cash flows are used to measure fair value. Any impairment is included in loss for the year.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Office furniture	20%
Computer equipment	30%
Computer software	100%
Automotive	30%

Foreign currency translation

The functional currency of the Company is the Canadian Dollar. The accounts of the Company's integrated foreign subsidiary are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Non-monetary assets and liabilities and revenues and expenses are translated at the rates prevailing on the respective translation dates. Foreign exchange gains and losses are included in the determination of net loss for the year.

Loss per share

Basic loss per common share is calculated using the weighted-average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this proved to be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments

The Company classifies all financial instruments as either held-to-maturity, available for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price. The carrying value less impairment provision, if necessary, of trade receivables and payables are assumed to approximate their fair values.

Transaction costs related to financial instruments classified as held for trading are recognized immediately into income. For financial instruments classified as other than as held for trading, transaction costs are added to the financial instrument in accordance with the provision of CICA Handbook Section 3855.

The following is a summary of the classifications the Company has elected to apply to each of its significant categories of financial instruments:

Cash	designated as held for trading
Accounts receivable	loans and receivables
Accounts payable and accrued liabilities	other liabilities
Accounts payable to related parties	other liabilities

Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this standard, the Company is to report a statement of comprehensive income and a category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet. The components of this category may include unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments. As there are currently no differences between net income and comprehensive income, or shareholders' equity and accumulated other comprehensive income, no statement of comprehensive income has been included with these consolidated financial statements.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (*Continued*)

(i) Capital Disclosures

On December 1, 2007, the CICA issued Handbook Section 1535, Capital Disclosures. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. Section 1535 was implemented by the Company on December 1, 2007.

(ii) Financial Instruments – Disclosures and Presentation

In March 2007, the CICA issued two new accounting standards, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These standards replace Section 3861, Financial Instruments – Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. Sections 3862 and 3863 were implemented by the Company on December 1, 2007. The only impact of this change was to increase the disclosure regarding the Company's risks associated with their financial instruments.

4. FUTURE ACCOUNTING POLICIES

(i) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, which replaces Sections 3062 and 3450. This new standard, which the Company will adopt December 1, 2008, establishes new standards for the recognition, measurement and disclosure of goodwill and intangible assets. It also provides guidance for the treatment of preproduction and startup costs and requires that these costs be expensed as incurred. This new standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company does not expect these new accounting standards to have an effect on its consolidated financial statements.

(ii) Going Concern

In June 2007, the Canadian Institute of Chartered Accountants modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008 and the Company will implement them as of December 1, 2008. The new requirements only address disclosures, and will have no impact on the Company's financial results.

4. FUTURE ACCOUNTING POLICIES

(iii) Consolidated Financial Statements

The CICA issued Section 1601 Consolidated Financial Statements. This new Section will be applicable to financial statements relating to the Company's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements. The Company has not yet determined the impact of the adoption of this new section on the consolidated financial statements.

(iv) International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (ASB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies would be required to converge with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. In February 2008, the CICA ASB confirmed the effective date of the initial adoption of IFRS. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS on the Company's consolidated financial statements cannot be reasonably estimated at this time.

5. EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office furniture	$ 7,090	$ 2,026	$ 5,064	$ 7,090	$ 760	$6,330
Computer equipment	24,056	10,470	13,586	19,565	5,610	13,955
Computer software	10,089	9,944	145	9,798	4,899	4,899
Automotive	32,100	13,001	19,099	32,100	4,815	27,285
	$ 73,335	$ 35,441	$ 37,894	$68,553	$16,084	$52,469

6. MINERAL PROPERTIES

Title to mineral properties

Title to mineral 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 conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

6. MINERAL PROPERTIES(*Continued*)

Colibri Property

On June 16, 2004, the Company agreed to an option agreement with Minera Cadenza S de RL de CV ("Cadenza"), a private Mexican company wholly owned by Cadence Resource Corporation, a Canadian private company controlled by a director and a former director of the Company, to purchase a 90% interest in the Colibri property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid $50,000 and issued 200,000 common shares with a value of $30,000. The Company agreed to pay $300,000, issue a total of 1,200,000 common shares and incur a total of $1,800,000 in exploration expenditures by June 16, 2009, to earn its 90% interest. To date, the Company has paid $250,000 and issued 1,200,000 common shares with a total value of $238,500, and incurred $1,920,967 in exploration expenditures. The Company is required to incur $500,000 (incurred) in exploration expenditures on or before December 16, 2008, and to pay $100,000 (paid $50,000 subsequent to the year end) and issue 200,000 common shares on or before June 16, 2009.

Once the terms of the option agreement have been completed, Cadenza has the option to maintain its remaining 10% interest or revert to a sliding scale Net Smelter Returns ("NSR") royalty. The Company has the option to purchase the NSR royalty at any time for $6,000,000.

As part of the Colibri property, on June 16, 2004, the Company agreed to an assignment of contract agreement to have the right to purchase a 100% interest in two mineral claims known as the San Francisco and the Juarez claims for a total of US$1,000,000 to be paid over a six year period ending January 1, 2010. All option payments made under this agreement will be applied to the purchase price of US$1,000,000 if the Company elects to purchase these two mineral claims. To date, the Company has paid US$131,000. The Company is required to pay an additional US$119,000 (paid US$10,000 subsequent to the year end) on or before January 1, 2010, with US$103,000 due on or before November 30, 2009. The Company has not made current year required payments of US$39,000 as management is reviewing its interest in this part of the claim.

Ramaje Ardiente Property

On June 16, 2004, the Company agreed to an option agreement with Minera El Sahuaro S.A. de C.V. ("Sahuaro"), a wholly-owned subsidiary of Cadenza, to purchase a 100% interest in the Ramaje Ardiente property, located in the State of Sonora, Mexico. Upon signing the option agreement the Company paid $20,000 and issued 200,000 common shares with a value of $30,000. The Company agreed to pay $70,000, issue a total of 300,000 common shares, incur a total of $500,000 (incurred) in exploration expenditures and initiate a scoping/pre-feasibility study by June 16, 2009, to earn its 100% interest. To date, the Company has paid $90,000 and issued 300,000 common shares with a value of $45,000. The Company is required to issue 200,000 common shares on or before June 16, 2009 should it decide to initiate a scoping pre-feasibility study.

6. MINERAL PROPERTIES *(Continued)*

The property is subject to a 2.0% NSR royalty. The Company has the option to purchase 50% of the royalty for $1,000,000.

Leon Property

On June 16, 2004, the Company agreed to an option agreement with Minera La Pitahaya S.A. de C.V. ("Pitahaya"), a private Mexican company, which is 50% owned by a former director of the Company, to purchase a 100% interest in the Leon property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid $20,000 and issued 200,000 common shares with a value of $30,000.

The Company agreed to pay a total of $190,000, issue a total of 200,000 common shares, incur a total of $500,000 (incurred) in exploration expenditures and commence a scoping/pre-feasibility study by December 16, 2008, to earn its 100% interest. To date, the Company has paid $160,000 and issued 300,000 common shares with a value of $45,000. The Company is required to pay $50,000 and issue 100,000 common shares by June 16, 2009.

The property is subject to a 2.0% NSR royalty. The Company has the option to purchase 50% of the royalty for $1,000,000.

2008	Colibri Property	Ramaje Ardiente Property	Leon Property	Total
Balance, beginning of year	$ 1,964,372	$ 724,664	$ 734,114	$ 3,423,150
Additions				
Mineral claims	99,124	25,000	57,538	181,662
Accommodation and meals	6,953	-	15,397	
Assays and lab tests	42,239	-	138,960	181,199
Drilling / mobilization / demobilization	250,105	-	654,534	904,639
Field expenses and personnel	22,265	115	58,308	80,688
Geological consulting	46,752	5,486	231,394	283,632
Maps and reproduction	14,314	-	10,894	25,208
Miscellaneous	18,510	1,669	14,027	34,206
Property and claim taxes	18,940	10,925	14,524	44,389
Telephone	669	-	2,060	2,729
Travel and transport	12,183		81,713	93,896
	532,054	43,195	1,279,349	1,854,598
Balance, end of year	$ 2,496,426	$ 767,859	$ 2,013,463	$ 5,277,748

6. MINERAL PROPERTIES *(Continued)*

2007	Colibri Property	Ramaje Ardiente Property	Leon Property	Total
Balance, beginning of year	$ 1,387,115	$ 445,343	$ 205,007	$2,037,465
Additions				
Mineral claims	195,147	20,000	45,403	260,550
Accommodation and meals	6,778	6,068	8,959	21,805
Assays and lab tests	4,693	36,196	53,017	93,906
Drilling / mobilization / demobilization	250,361	88,610	202,569	541,540
Field expenses and personnel	11,093	6,729	19,611	37,433
Geological consulting	48,719	52,936	100,104	201,759
Maps and reproduction	1,923	-	22,680	24,603
Miscellaneous	30,578	17,793	41,542	89,913
Property and claim taxes	14,422	36,160	6,223	56,805
Telephone	1,432	1,499	1,362	4,293
Travel and transport	12,111	13,330	27,637	53,078
	577,257	279,321	529,107	1,385,685
Balance, end of year	$1,964,372	$ 724,664	$ 734,114	$ 3,423,150

7. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of $11,569 (2007 - $30,925) is comprised of reimbursable travel costs and consulting fees due to a company controlled by a former director of the Company.

The Company entered into the following transactions with related parties:

a) As outlined in Note 6, Colibri Property, the Company paid $50,000 (2007 - $50,000) and issued 200,000 shares (2007 – 300,000 shares) for a value of $38,000 (2007 - $100,500) to a private Mexican company wholly-owned by Cadence Resource Corporation, a Canadian private company controlled by a former director of the Company. A director of the Company is also a director of the Canadian private company.

7. RELATED PARTY TRANSACTIONS *(Continued)*

b) As outlined in Note 6, Leon Property, the Company paid $50,000 (2007 - $40,000) to a private Mexican company, which is 50% owned by a former director of the Company.

c) As outlined in Note 6, Ramaje Ardiente Property, the Company paid $25,000 (2007 - $20,000) to a private Mexican company controlled by a former director of the Company.

d) Paid or accrued $114,428 (2007 - $118,965) in geological consulting fees, of which $114,428 (2007 - $93,075) are included in mineral properties, to a company controlled by a former director.

e) Paid or accrued $38,518 (2007 - $NIL) in geological consulting fees and mapping and production, of which $38,518 (2007 - $NIL) are included in mineral properties, to a director of the Company.

f) Paid or accrued $90,000 (2007 - 52,500) in management fees to companies controlled by directors of the Company.

g) Paid or accrued $9,000 (2007 - $4,500) in office rent to a company controlled by a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which the amount of consideration established and agreed to by the related parties.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized
100,000,000 common shares without par value

Capital stock and contributed surplus is made up as follows:

	2008		2007	
	Capital Stock	Contributed Surplus	Capital Stock	Contributed Surplus
Common shares (i)	$5,813,413	$ -	$ 5,775,413	$ -
Warrants (ii)	-	-	1,996,882	-
Contributed surplus (iii)	-	2,523,936	-	514,384
	$5,813,413	$ 2,523,936	$ 7,772,295	$ 514,384

(i) Common shares and contributed surplus consist of:

	Number of Shares	Amount	Contributed Surplus
Balance at November 30, 2006	20,569,867	$ 2,417,124	$ 434,352
Issued on Private Placement	7,013,000	1,422,409	-
Agent's commission paid with shares	118,643	24,064	23,393
Agent's warrants	-	(138,279)	138,279
Issued on exercise of warrants	5,959,500	1,787,851	-
Transfer of contributed surplus on agent's warrants exercised	-	322,708	(322,708)
Transfer of contributed surplus on exercise of options	-	12,711	(12,711)
Issued on exercise of options	150,000	15,000	-
Pursuant to mineral property agreements	300,000	100,500	-
Stock-based compensation	-	-	253,779
Share issue costs (net of future income tax recovery of $73,000)	-	(188,675)	-
Balance at November 30, 2007	34,111,010	5,775,413	514,384
Transfer to contributed surplus on expiry of warrants	-	-	1,996,883
Pursuant to mineral property claims	200,000	38,000	-
Stock-based compensation	-	-	12,669
Balance at November 30, 2008	34,311,010	$ 5,813,413	$ 2,523,936

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS *(Continued)*

(ii) Warrants consist of:

Balance at November 30, 2004	$ -
Issued during public offering	614,091
Balance at November 30, 2005	614,091
Issued during 2006	-
Balance at November 30, 2006	614,091
Issued during 2007 – private placement	1,382,791
Balance at November 30, 2007	1,996,882
Expired during 2008	(1,996,882)
Balance at November 30, 2008	$ -

(iii) Closing contributed surplus consists of:

2005 options granted	$ 60,798
2006 options granted	50,846
2007 options granted	253,779
	365,423
Options exercised in 2007	(12,711)
2007 warrants to agents	161,672
Balance at November 30, 2007	514,384
2008 options granted	12,669
Transfer to contributed surplus on expiry of warrants	1,996,883
Balance at November 30, 2008	$ 2,523,936

Effective August 5, 2008, the remaining 429,000 shares were released from escrow, thereby leaving a balance of NIL shares held in escrow.

Fiscal year ended November 30, 2008:

The Company issued 200,000 common shares as part of a mineral property option agreement outlined in Note 6.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS *(Continued)*

Fiscal year ended November 30, 2007:

The Company completed a brokered, private placement of 7,013,000 Units at a price of $0.40 per Unit for gross proceeds of $2,805,200, of which $1,422,409 was allocated to share capital and $1,382,791 was allocated to warrants. Each Unit consisted of one common share and one full, non-transferable share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of $0.70 per share until April 20, 2008. The Company paid the broker a cash commission of $162,933, and 118,643 Units or 7.5 % of the total gross proceeds, and was issued agent's warrants, authorizing the purchase of up to 701,300 common shares at $0.70 per share until April 20, 2008. These warrants have a fair value of $138,279, which was allocated to contributed surplus.

The Company accounted for warrants using the Black-Sholes Option Pricing Model with the following assumptions:

	2007
Risk-free interest rate	3.88%
Expected life of warrants	1 year
Annualized volatility	150.00%
Dividend rate	0.00%

During the year ended November 30, 2007, the Company issued 5,959,500 common shares on the exercise of warrants at a price of $0.30 per share for total proceeds of $1,787,851.

The Company issued 300,000 common shares as part of a mineral property option agreement outlined in Note 6.

The Company issued 150,000 on the exercise of stock options by a former director.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS *(Continued)*

Stock options

The Company grants stock options in accordance with the policies of the TSX-V under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest immediately on the date of grant or over a period of time determined by the board of directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Exercise Price
Balance, November 30, 2006	600,000	0.10
Options granted	1,090,000	0.26
Options expired/cancelled	-	-
Options exercised	(150,000)	0.10
Balance, November 30, 2007	1,540,000	$ 0.21
Options granted	100,000	0.15
Balance November 30, 2008	1,640,000	-
Number of options currently exercisable	1,640,000	$ 0.21
Weighted average fair value per options granted 2008 and 2007	$ 0.12	$ 0.14

At November 30, 2008, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
450,000	$0.10	October 20, 2011
1,090,000	$0.26	October 29, 2012
100,000	$0.15	June 20, 2013

At November 30, 2008, the options outstanding have a weighted average life remaining of 3.68 years.

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (Continued)

Stock-based compensation

The Company recognized $12,669 (2007 - $253,779) as stock-based compensation in the statement of operations, with a corresponding amount recorded as contributed surplus in capital stock. The fair value of stock options used to calculate stock-based compensation is estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2008	2007	2006	2005
Risk-free interest rate	3.08%	3.88%	4.08%	3.22%
Expected lifetime in years	5.00	5.00	5.00	3.50
Annualized volatility	125.00%	140.79%	81.88%	50.00%
Dividend rate	0.00%	0.00%	0.00%	0.00%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Warrants

The Company has NIL share purchase warrants outstanding enabling the holders to acquire common shares, determined as follows:

	Number of Shares	Exercise Price	Expiry Date
Balance at November 30, 2006	7,627,525	$0.30	July 28, 2007
Exercised	(5,595,500)	0.30	July 28, 2007
Expired	(2,032,025)	0.30	July 28, 2007
Issued	7,832,943	0.70	April 20, 2008
Balance at November 30, 2007	7,832,943	0.70	April 20, 2008
Expired	(7,832,943)	0.70	April 20, 2008
Balance at November 30, 2008	$ -	$ -	-

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2008	2007
Cash paid during the period for income taxes	$ -	$ -
Cash paid during the period for interest	$ -	$ -

The significant non-cash transactions during the year ended November 30, 2008 were as follows:

a) The Company issued 200,000 shares with a value of $38,000 to a company controlled by a former director, as per mineral property agreement referred to in Note 6.

b) The Company issued 100,000 stock options at a value of $12,669 as compensation for consulting services.

c) Included in mineral property costs is $54,784 which is included in accounts payable and accrued liabilities, and $10,477 of mineral property costs is included in prepaid expenses.

The significant non-cash transactions during the year ended November 30, 2007 were as follows:

a) The Company issued 300,000 shares with a value of $100,500 to a company controlled by a former director, as per mineral property agreement referred to in Note 6.

b) The Company issued 118,643 units with a value of $47,457 to the agent as part of a commission on the private placement of which $24,064 was allocated to capital stock and $23,393 to contributed surplus.

c) The Company recorded the fair value of $161,672 for the 819,943 agent's warrants issued in connection with the private placement.

d) The Company transferred $322,708 from contributed surplus to share capital on the exercise of share purchase warrants.

e) The Company transferred $12,711 form contributed surplus to share capital on the exercise of share purchase options.

f) Included in mineral property costs is $176,817 which is included in accounts payable and accrued liabilities, and $78,460 of mineral property costs is included in prepaid expenses.

10. SEGMENTED INFORMATION

The Company primarily operates in one reportable business segment, being the acquisition and exploration of mineral properties located in Mexico. The net loss and assets identifiable with these geographic areas are as follows:

2008	Canada	Mexico	Total
Net loss	$(236,638)	$(38,957)	$(275,595)
Current assets	1,637,811	53,084	1,690,895
Equipment	37,180	714	37,894
Mineral properties	-	5,277,748	5,277,748
Total assets	1,674,991	5,331,546	7,006,537

2007	Canada	Mexico	Total
Net loss	$(501,419)	$ (49,730)	$(551,149)
Current assets	3,487,605	394,240	3,881,845
Equipment	51,477	992	52,469
Mineral properties	-	3,423,150	3,423,150
Total assets	$3,539,082	$3,818,382	$7,357,464

11. INCOME TAXES

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

	2008	2007
Loss before income taxes	$ (275,595)	$ (478,149)
Statutory tax rate	% 31.00%	34.12%
Expected income tax recovery at statutory rates	$ (85,434)	$ (163,049)
Difference in foreign tax rates	1,169	9,946
Permanent differences	3,930	86,607
Change in future income taxes resulting from change in tax rate	24,297	31,298
Change in valuation allowance	56,038	108,198
Future income tax expense	$ -	$ 73,000

11. INCOME TAXES *(Continued)*

The significant components of the Company's future income tax assets and liabilities are as follows:

	2008	2007
Future income tax assets		
Share issuance costs	$ 53,120	$ 89,268
Equipment	9,396	4,530
Mineral properties	(1,163,013)	(924,251)
Non-capital losses available for future years	1,494,678	1,168,596
	394,181	338,143
Less: valuation allowance	(394,181)	(338,143)
	$ -	$ -

The Company has non-capital losses for Canadian income tax purposes of approximately $1,091,091 and non-capital losses for Mexican income tax purposes of approximately $4,652,401 which can be carried forward to reduce taxable income in future years. Unless utilized, these losses will expire through to 2028. In addition, the Company has exploration and development expenditures of approximately $805,000. Future tax benefits, which may arise as a result of these losses, have not been recognized in these financial statements due to the uncertainty of their realization.

12. FINANCIAL INSTRUMENTS

The Company, through its financial assets and liabilities is exposed to various risks. The following analysis provides a measurement of risks as at the balance sheet date, November 30, 2008.

a) Fair Value

The carrying values of cash, accounts receivable, accounts payable to related parties, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances primarily in large Canadian chartered banks, and no interest bearing debt. The Company's current policy is to invest cash in Canadian bank savings accounts with interest that varies at prime.

If interest rates applicable to this floating rate bank account were to increase or decrease by 1%, the Company's interest income would increase or decrease by $16,000 (2007- $34,000).

12. FINANCIAL INSTRUMENTS *(Continued)*

c) Credit Risk

The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions, primarily in Canada, and is kept in highly liquid accounts that are closely monitored by management. Credit risk with respect to its accounts receivable is minimal due to the insignificant balance.

The Company's maximum exposure to credit risk at November 30, is as follows:

2008	Canada	Mexico	Total
Cash and cash equivalents	$ 1,610,093	$ 38,446	$ 1,648,539
Accounts receivable	1,512	352	1,864
	$ 1,611,605	$ 38,798	$ 1,650,403

2007	Canada	Mexico	Total
Cash and cash equivalents	$ 3,456,159	$ 282,591	$ 3,738,750
Accounts receivable	11,997	-	11,997
	$ 3,468,156	$ 282,591	$ 3,750,747

d) Derivatives – Mineral Properties

The Company retains and/or has obligations related to certain carried interest rights and net smelter royalties ("NSR"), the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

e) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company's cash flow exposure to foreign currency is due mainly to cash, option payments and costs incurred for the development of its mineral properties in Mexico. As at November 30, 2008, the Company's consolidated balance sheet included $17,587 (2007 - $242,877) of cash denominated in U.S. currency and $20,859 (2007 - $39,714) denominated in Mexican currency; $33,396 of accounts payable (2007 - $169,247) which were U.S. currency denominated and $4,924 (2007 - $6,965) of accounts payable which were Mexico currency denominated. The Company does not use hold or issue financial instruments for trading or speculative purposes. At November 30, 2008 there were no foreign exchange contracts outstanding.

12. FINANCIAL INSTRUMENTS *(Continued)*

(e) Foreign exchange risk (*Continued)*

A 10% increase in the value of the Mexican peso compared to the Canadian dollar could increase the Company's reported Mineral Properties by $31,700 and increase its expenses by $3,500.

A 10% increase in the value of the United States dollar compared to the Canadian dollar could increase the Company's reported Mineral Properties by $97,535 annually.

An opposite change in the value of the Mexican peso or the United States dollar would have an opposite impact on Mineral Properties and expenses.

(f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below. The Company has sufficient funds as at November 30, 2008 to settle its current accounts payable of $111,187, and its long-term commitments on option payments as outlined in Note 6.

In the opinion of management, the working capital of $1,579,708 at November 30, 2008 is sufficient to support the Company's normal operating requirements through its current reporting period. However, taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review expenditures in order to ensure adequate liquidity and flexibility to support its exploration and development strategies.

The Company believes that external financing, likely in the form of equity offerings, will be required to complete its major exploration and development projects; however, it is not likely that there will be a need for financing until the second half of 2010.

13. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. As at November 30, 2008, total managed capital was $6,895,350 (2007- $7,120,275)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets.

13. CAPITAL MANAGEMENT *(Continued)*

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. These budgets are approved by the Company's Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in interest-bearing accounts with Canadian chartered banks.

The Company expects the capital resources available to it will be sufficient to carry its exploration and development plans and operations for the next twelve months.

There were no changes in the Company's approach to capital management during the year ended November 30, 2008. The Company is not subject to externally imposed capital requirements.