**COLIBRI RESOURCE CORPORATION**

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# UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended February 29, 2008.

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

**COLIBRI RESOURCE CORPORATION**

**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT**

**FOR THE THREE MONTHS ENDED FEBRUARY 29, 2008 AND 2007**

**(Unaudited – Prepared by Management)**

| | Three Months Ended February 29, 2008 | Three Months Ended February 29, 2007 |
|---|---|---|
| **EXPENSES, ADMINISTRATIVE AND GENERAL** | | |
| Accounting and audit fees | $ 6,935 | $ 56 |
| Advertising and promotion | 2,508 | - |
| Amortization | 4,635 | 320 |
| Consulting | - | 6,500 |
| Foreign exchange | 924 | (2,656) |
| Legal | 1,947 | 2,432 |
| Management fees | 22,500 | - |
| Office and miscellaneous | 5,738 | 7,180 |
| Rent | 6,977 | 7,367 |
| Telephone | 324 | 1,396 |
| Transfer agent and filing fees | 1,964 | 1,925 |
| Travel and related costs | 15,917 | 8,131 |
| **LOSS BEFORE OTHER ITEMS** | (70,369) | (32,651) |
| **OTHER ITEM** | | |
| Interest | 28,160 | 7,321 |
| **NET LOSS** | (42,209) | (25,330) |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD** | - | - |
| **DEFICIT,** beginning of period | (1,166,404) | (615,255) |
| **DEFICIT,** end of period | $(1,208,613) | $(640,585) |
| **BASIC AND DILUTED LOSS PER SHARE** | $ (0.01) | $ (0.01) |
| Weighted average number of shares outstanding | 34,111,010 | 20,681,022 |

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

**COLIBRI RESOURCE CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

**FEBRUARY 29, 2008**

**(Unaudited – Prepared by Management)**

| | February 29, 2008 | November 30, 2007 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT** | | |
| Cash | $2,962,889 | $3,738,750 |
| Accounts receivable | 15,599 | 23,308 |
| Prepaid expenses | 205,822 | 119,787 |
| | 3,184,310 | 3,881,845 |
| **EQUIPMENT** (Note 4) | 47,834 | 52,469 |
| **MINERAL PROPERTIES** (Note 5) | 4,096,859 | 3,423,150 |
| | $7,329,003 | $7,357,464 |
| **LIABILITIES** | | |
| **CURRENT** | | |
| Accounts payable and accruals | $ 179,342 | $ 206,264 |
| Accounts payable to related parties (Note 6) | 71,595 | 30,925 |
| | 250,937 | 237,189 |
| **SHAREHOLDERS' EQUITY** | | |
| **CAPITAL STOCK** (Note 7) | 7,772,295 | 7,772,295 |
| **CONTRIBUTED SURPLUS** (Note 7) | 514,384 | 514,384 |
| **DEFICIT** | (1,208,613) | (1,166,404) |
| | 7,078,066 | 7,120,275 |
| | $ 7,329,003 | $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 THREE MONTHS ENDED FEBRUARY 29, 2008 AND 2007**

**(Unaudited – Prepared by Management)**

| | Three Months Ended February 29, 2008 | Three Months Ended February 29, 2007 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss and comprehensive income for the period | $ (42,209) | $ (25,330) |
| Add: Items not requiring the use of cash | | |
| Amorization | 4,635 | 320 |
| Change in non-cash working capital items: | | |
| Decrease (increase) in receivables | 7,709 | 9,415 |
| (Increase) decrease in prepaid expenses | (86,035) | 21,320 |
| (Decrease) increase in accounts payable and accrued liabilities | (26,922) | (320,922) |
| Increase (decrease) in accounts payable to related parties | 40,670 | 7,246 |
| | (102,152) | (307,951) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of capital stock (net of costs) | - | 162,050 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of mineral properties and deferred exploration costs | (673,709) | (343,336) |
| **INCREASE (DECREASE) IN CASH DURING THE PERIOD** | (775,861) | (489,237) |
| **CASH,** beginning of period | 3,738,750 | 1,143,193 |
| **CASH**, end of period | $2,962,889 | $ 653,956 |

Supplemental disclosure with respect to cash flows (Note 8)

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 and related deferred exploration costs 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 continue on a going concern basis, which assumes the Company will be able to realize its assets and liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations as they come due, and to continue its operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

### Interim Financial Statements

These interim consolidate financial statements have been prepared in accordance with GAAP and follow the same accounting policies and methods of application as the annual financial statements. These interim consolidated financial statements do not include in all respects the annual disclosure requirements of GAAP and should be read in conjunction with the most recent annual statements.

### Principles of Consolidation

The interim 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 significant inter-company accounts and transactions have been eliminated upon consolidation.

## 2. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

### 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 amounts 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.

### 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.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

### 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% |

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

### Financial Instruments

The Company adopted CICA Handbook Section 1530,'Comprehensive Income'; Section 3251, 'Equity'; Section 3855, 'Financial Instruments –Recognition and Measurement'; Section 3861, 'Financial Instruments – Disclosure and Presentation'; and Section 3865, 'Hedges'. The adoption of these new standards resulted in changes in the accounting for financial instruments. As required by the implementation of these new standards, the comparative consolidated financial statements have not been restated. The principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are described below:

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Section 3855 - Financial Instruments – Recognition and Measurement
Section 3861 - Financial Instruments – Disclosure and Presentation

Under these standards, financial assets and financial liabilities are initially recognized at their fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. The standards require that all financial assets and liabilities be classified either as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Financial instruments held for trading are measured at fair value with gains and losses recognized in net income. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost.

**Classification of financial instruments**

The following is a summary of the classifications the Company has elected to apply to each of its significant categories of financial instruments outstanding as of December 1, 2006:

| | |
|---|---|
| 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 |

(ii) Section 1530 - Comprehensive Income

This standard requires a new component of shareholders’ equity, comprehensive income, to be included in the Company’s consolidated financial statements. In addition, the standard requires a statement of comprehensive income. The major components of the statement of comprehensive income may include items such as unrealized gains and losses on financial assets classified as available-for-sale, deferred gains and losses arising from the settlement of historic cash flow hedging transactions and changes in the fair value of the effective position 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 has been included with these consolidated financial statements.

(iii) Section 3251 – Equity

This standard establishes standards for the presentation of equity and changes in equity during the reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(iv) Section 3865 - Hedges

This standard describes when hedge accounting is appropriate. Hedge accounting ensures that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statements of operations and comprehensive income in the same period. The Company does not have transactions that relate to hedging and hence this section is not applicable.

Impact of adopting sections 1530, 3855 and 3865

The Company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required.

## 3. RECENT ACCOUNTING PRONOUNCEMENTS

(a) Financial Instruments

Effective December 1, 2007, the Company adopted two new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

(i) CICA 3862, "Financial Instruments – Disclosures"

This standard relates to the disclosures of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3863, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company has adopted the standard commencing December 1, 2007.

(ii) CICA 3863, "Financial Instruments – Presentation"

This standard relates to the presentation of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3862, "Financial Instruments – Presentation" must be adopted at the same time, replacing CICA 3861, "Financial Instruments – Disclosure and Presentation". The Company has adopted the standard commencing on December 1, 2007.

(b) CICA 1535, "Capital Disclosures"

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company has adopted the standard commencing December 1, 2007.

## 3. RECENT ACCOUNTING PRONOUNCEMENTS (*Continued*)

(c) CICA 3064, "Goodwill and Intangible Assets"

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. Early adoption is permitted. The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending November 30, 2009. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

(d) CICA 1400, "General Standards of Financial Statement Presentation"

In May 2007, the CICA issued amended Handbook Section 1400, "General Standards of Financial Statement Presentation". The section provides revised guidance related to management's responsibility to assess and disclose the ability of an entity to continue as a going concern. This amended standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Early adoption is permitted. The Company will adopt the standard commencing for its interim financial statements for the period ending May 31, 2008. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

## 4. EQUIPMENT

| | February 29, 2008 | | | November 30, 2007 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Office furniture | $ 7,090 | $ 1,076 | $ 6,014 | $ 7,090 | $ 760 | $ 6,330 |
| Computer equipment | 19,565 | 6,657 | 12,908 | 19,565 | 5,610 | 13,955 |
| Computer software | 9,798 | 6,124 | 3,674 | 9,798 | 4,899 | 4,899 |
| Automotive | 32,100 | 6,862 | 25,238 | 32,100 | 4,815 | 27,285 |
| | $68,553 | $20,719 | $47,834 | $68,553 | $ 16,084 | $52,469 |

## 5. 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 conveyancing 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.

### 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 $200,000 and issued 1,000,000 common shares with a total value of $200,500, and incurred $1,388,913 in exploration expenditures. The Company is required to incur $400,000 (incurred) in exploration expenditures on or before December 16, 2007, and to pay $50,000 and issue 200,000 common shares on or before June 16, 2008.

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 on or before January 1, 2010, with US$39,000 due on or before November 30, 2008.

### 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 $65,000 and issued 300,000 common shares with a value of $45,000. The Company is required to pay $25,000 and issue 200,000 common shares on or before June 16, 2008.

## 5. 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 $135,000 and issued 300,000 common shares with a value of $45,000. The Company is required to pay $75,000 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.

| | Colibri Property | Ramaje Ardiente Property | Leon Property | Total |
|---|---|---|---|---|
| Balance, beginning of the period | $ 1,964,372 | $ 724,664 | $ 734,114 | $ 3,423,150 |
| Additions | | | | |
| Mineral claims | 11,123 | | 28,721 | 39,844 |
| Accommodation and meals | | | | |
| Assays and lab tests | | | 48,326 | 48,326 |
| Drilling / mobilization / demobilization | 69,996 | | 342,797 | 412,793 |
| Field expenses and personnel | 485 | | 43,227 | 43,712 |
| Geological consulting | 984 | 2,312 | 47,841 | 51,137 |
| Maps and reproduction | | | 2,258 | 2,258 |
| Miscellaneous | 7,455 | | 5,152 | 12,607 |
| Property and claim taxes | 9,175 | 5,292 | 7,624 | 22,091 |
| Telephone | | | 1,384 | 1,384 |
| Travel and transport | 163 | | 39,394 | 39,557 |
| | 99,381 | 7,604 | 566,724 | 673,709 |
| Balance, end of the period | $ 2,063,753 | $ 732,268 | $ 1,300,838 | $ 4,096,859 |

## 6. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of $71,595 (2007 - $30,925) is comprised of reimbursable travel costs to directors and a former director of the Company, consulting fees due to a company controlled by a director of the Company, and geological consulting fees due to a company controlled by a former director of the Company.

The Company entered into the following transactions with related parties during the period:

a) As outlined in Note 6, Colibri Property, the Company paid $NIL (2007 - $25,000) 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.

b) As outlined in Note 6, Leon Property, the Company paid $25,000 (2007 - $17,109) to a private Mexican company, which is 50% owned by a former director of the Company.

c) Paid or accrued $23,100 (2007 - $21,175) in geological consulting fees, of which $23,100 (2007 - $21,175) are included in mineral properties, to a company controlled by a former director.

d) Paid or accrued $22,500 (2007 - $NIL) in management fees to companies controlled by directors of the Company.

e) Paid or accrued $2,250 (2007 - $NIL) 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.

## 7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized
100,000,000 common shares without par value

Capital stock and contributed surplus is made up as follows:

| | February 29, 2008 | | November 30, 2007 | |
|---|---|---|---|---|
| | Capital Stock | Contributed Surplus | Capital Stock | Contributed Surplus |
| Common shares (i) | $ 5,775,413 | $ - | $ 5,775,413 | $ - |
| Warrants | 1,996,882 | - | 1,996,882 | - |
| Contributed surplus (i) | - | 514,384 | - | 514,384 |
| | $ 7,772,295 | $ 514,384 | $ 7,772,295 | $ 514,384 |

(i) Common shares and contributed surplus consist of:

| | Number of Shares | Amount | Contributed Surplus |
|---|---|---|---|
| Balance at November 30, 2005 | 20,319,867 | $ 3,234,104 | $ 148,117 |
| Reclassify warrants included in initial public offering | | (614,091) | |
| Reclassify agent's warrants | | (235,389) | 235,389 |
| Revised Balance at November 30, 2005 | 20,319,867 | 2,384,624 | 383,506 |
| Pursuant to mineral property claims | 250,000 | 32,500 | |
| Stock-based compensation | - | - | 50,846 |
| Revised 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 |
| Balance at February 29, 2008 | 34,111,010 | $ 5,775,413 | $ 514,384 |

## 7. CAPITAL STOCK AND CONTRIBUTED SURPLUS *(Continued)*

There were no changes in share capital, warrants or contributed surplus for the three month period ended February 29, 2008.

Effective February 5, 2008, 429,000 shares were released from escrow, thereby reducing the shares held in escrow to 429,000.

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 |
| Balance, February 29, 2008 | 1,540,000 | $ 0.21 |
| Number of options currently exercisable | 1,540,000 | $ 0.21 |
| Weighted average fair value per option granted | $ 0.19 | $ 0.08 |

At February 29, 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 |

At February 29, 2008, the options outstanding have a weighted average life remaining of 4.4 years.

There were no changes in stock options during the three month period ended February 29, 2008.

## 7. CAPITAL STOCK AND CONTRIBUTED SURPLUS *(Continued)*

### Warrants

The Company has 7,832,943 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 |
| Balance at February 29, 2008 | 7,832,943 | $0.70 | April 20, 2008 |

There were no changes in warrants outstanding during the three month period ended February 29, 2008.

## 8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | February 29, 2008 | November 30, 2007 |
|---|---|---|
| Cash paid during the period for income taxes | $ - | $ - |
| Cash paid during the period for interest | $ - | $ - |

## 9. 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:

| As at February 29, 2008 | | Canada | | Mexico | | Total |
|---|---|---|---|---|---|---|
| Net Loss | $ | (32,649) | $ | (9,560) | $ | (42,209) |
| | | | | | | |
| Current assets | | 2,827,655 | | 356,655 | | 3,184,310 |
| Equipment | | 46,911 | | 923 | | 47,834 |
| Mineral properties | | - | | 4,096,859 | | 4,096,859 |
| Total assets | $ | 2,874,566 | $ | 4,454,437 | $ | 7,329,003 |

| As at November 30, 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 |

## 10. 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, February 29, 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

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

## 10. FINANCIAL INSTRUMENTS *(Continued)*

c) Credit Risk

The Company is exposed to credit risk with respect to its accounts receivable; however, this is minimized because the amounts are due from a government agency.

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 February 29, 2008 and November 30, 2007, the Company's consolidated balance sheets included: $140,620 (2007 - $242,877) of cash denominated in U.S. currency and $20,711 (2007 - $39,714) denominated in Mexico currency; $123,280 of accounts payable (2007 - $169,247) which were U.S. currency denominated and $10,785 (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 February 29, 2008 there were no foreign exchange contracts outstanding.

*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 believes that the liquidity risk is mitigated given its current cash reserve

# COLIBRI RESOURCE CORPORATION

## Form 51-102F1

### *Management's Discussion & Analysis*
### *for the Quarter Ended February 29, 2008*

The following Management Discussion and Analysis ("MD&A") for Colibri Resource Corporation ("the Company") prepared as of April 27, 2008 should be read together with the audited consolidated financial statements for the year ended November 30, 2007 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All figures are in Canadian dollars unless otherwise noted.

This MD&A contains forward-looking information. Please see "Forward-Looking Information" and "Risks and Uncertainties" for a discussion of the risks, uncertainties and assumptions relating to such information.

## FORWARD-LOOKING INFORMATION

Forward-looking information is included in this MD&A, which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the following factors: financial health of the Company's subsidiary and the related cash flows, competitive and economic environment, seasonality and fluctuations in results, expansion, interest rates, foreign exchange, cash distributions are not guaranteed and will fluctuate with the performance of its subsidiary, and federal income tax changes in Mexico and Canada.

Although the forward-looking information contained in this MD&A is based upon what the Company's management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Forward-looking information reflects management's current beliefs and is based on information currently available to the Company. Such information reflects current assumptions regarding future events and operating performance including, without limitation, a strong economy in Canada, stable interest rates and continued strength in the mining exploration industry in which the Company operates, and speaks only as of the date of this discussion. The forward-looking information is made as of the date of this MD&A and the Company assumes no obligation to update or revise such information to reflect new events or circumstances.

## General

The Company was incorporated on February 20, 2004 in the province of British Columbia. On August 5, 2005, the Company's common shares and purchase warrants began trading on the TSX Venture Exchange under the symbols CBI and CBI.WT respectively.

Through its Subsidiary, Minera Halcones S.A. de C.V., the Company is engaged in the acquisition, exploration, and if warranted, development of gold, silver, copper, molybdenum and other metal deposits in Mexico. Halcones has the right to acquire a majority interest in three large mineral properties located in Sonora, Mexico. Sonora is the northernmost state in Mexico and borders the United States of America. All of the Company's property interests are located within or adjacent to, a free trade zone within the State, a fact that facilitates cross-border access and general business. The properties are characterized by ease of accessibility, well developed infrastructure, access to a ready and skilled labour pool and a large degree of common logistics due to their relative proximity to each other.

The Company's mineral property interests are the Colibri Property, the Leon Property, and the Ramaje Ardiente (Ramard) Property. These properties are in the exploration stage only and are without a known body of commercial ore.

In July 2007 Gregory F. Bridges stepped down as a member of the Board of Directors. In November 2007 Roger Doucet and George A. Morine, C.A. were appointed to the Board of Directors.

Additional information related to the Company is available for view on the Company's website at www.colibriresourcecorp.com and on SEDAR at http://www.sedar.com.

## Overall Performance

1) On December 18, 2007, the Company paid $25,000 pursuant to a mineral property option agreement on the Leon property.
2) On January 29, 2008, the Company paid US$10,000 for the San Francisco and Juarez claims which are part of the Colibri property.

## Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

| | For The Quarter Ended February 29, 2008 | For The Quarter Ended February 28, 2007 |
|---|---|---|
| Total revenues | $ 28,160 | $ 7,321 |
| Net income (loss) before extraordinary items | (42,209) | (25,330) |
| Net income (loss) and comprehensive income | (42,209) | (25,330) |
| Basic and diluted earnings (loss) per share | (0.01) | (0.01) |
| Total assets | 7,329,003 | 3,082,599 |
| Total long-term liabilities | - | - |
| Cash dividends | - | - |

The Company earns interest revenue from cash and term deposits held in banks. It has no intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance the growth of its business.

## Results of Operations

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results may be different from those estimates. Additional significant accounting policies are detailed in Note 2 attached to the financial statements.

**For The Quarter Ended February 29, 2008**

Operations in the period from December 1, 2007 to February 29, 2008 were focused on maintaining the Company's interests in the properties for which it has entered into option agreements, as well as the construction of access roads and the continuation of exploratory drilling programs on all three properties. The Company has not generated any revenues from operations for the period.

The net loss for the three month period ended February 29, 2008 was $42,209, which was a loss of $0.01 per share on both a basic and a fully diluted basis. This loss was primarily attributed to general and administrative expenses of $70,369. Major components of the loss were management fees of $22,500 and travel and related costs of $15,917.

**For The Quarter Ended February 28, 2007**

Operations in the period from November 30, 2006 to February 28, 2007 were focused on maintaining the Company's interests in the properties for which it has entered into option agreements. The Company also conducted a drill program on the Colibri and the Ramaje properties. The Company has not generated any revenues except for interest revenue during the period.

The net loss for the three month period ended February 28, 2007 was $25,330 which was a loss of $0.01 per share on both a basic and a fully diluted basis. This loss was primarily attributed to general and administrative expenses of $32,651. Major component of the loss were $7,367 for rent and $8,131 for travel costs.

## Summary of Quarterly Results

The following table sets forth selected unaudited quarterly (except periods ended November 30) financial information for each of the last eight most recently completed quarters:

**Three Months Ended**

| | February 29, 2008 | November 30, 2007 | August 31, 2007 | May 31, 2007 | February 28, 2007 | November 30, 2006 | August 31, 2006 | May 31, 2006 |
|---|---|---|---|---|---|---|---|---|
| Total assets | $7,329,003 | $ 7,357,464 | $7,212,573 | $5,655,482 | $ 3,082,599 | $ 3,259,555 | $ 2,961,008 | $ 2,959,633 |
| Mineral property costs | 4,096,859 | 3,423,150 | 3,052,711 | 2,786,801 | 2,380,801 | 2,037,465 | 1,482,906 | 1,267,527 |
| Working capital | 2,933,373 | 3,644,656 | 4,049,928 | 2,795,754 | 575,568 | 807,864 | 1,435,612 | 1,645,395 |
| Shareholders' equity | 7,078,066 | 7,120,275 | 7,155,326 | 5,598,941 | 2,987,032 | 2,850,312 | 2,923,483 | 2,918,293 |
| Revenues | 28,160 | 41,345 | 31,743 | 9,385 | 7,321 | 11,164 | 16,654 | 9,385 |
| Net income (loss) | (42,209) | (371,830) | (85,666) | (68,323) | (25,330) | (124,017) | (27,310) | (79,879) |
| Earnings (loss) per share | (0.01) | (0.02) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) |

## Liquidity

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

The Company's ability to continue as a going concern in the short term is dependent upon its ability to obtain financing. The Company has obtained financing by the issuance of share capital. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

| | February 29, 2008 | February 28, 2007 |
|---|---|---|
| Working capital | $ 2,933,373 | $ 807,864 |
| Deficit | (1,208,613) | (615,255) |

Net cash used in operating activities during the period was $102,152 compared to $307,951 during the previous period. Net cash used in operating activities primarily consists of the operating loss and a change in non-cash working capital.

Financing activities provided net cash of $NIL during the current period and $162,050 during the previous period.

Net cash used in investing activities was $673,709 during the current period and $343,336 in the previous period. Cash was expended on the acquisition and maintenance of mineral claims and exploration work conducted on the claims in Mexico.

## Capital Resources

The Company's sources of funds have been derived from private placement financings and the completion of the Company's IPO. The Company closed its IPO on July 28, 2005, pursuant to which it received gross proceeds of $2,500,000 from the sale of 10,000,000 units (the "Units") with each Unit consisting of one common share in the capital of the Company (a "Share") and one transferable common share purchase warrant (a "Warrant"). Two whole Warrants will entitle the holder thereof to acquire one additional common share of the Company (a "Warrant Share") until July 28, 2007 at an exercise price of $0.30 per Warrant Share. During the three month period ended August 31, 2007, 7,729,950 of these warrants were exercised.

Also on April 19, 2007, the Company closed a brokered, private placement of 7,013,000 Units at a price of $0.40 per Unit for gross proceeds of $2,805,200. Each Unit consists of one common share and one full, non-transferable share purchase warrant. Each warrant will entitle the holder to purchase an additional common share of the Company at a price of $0.70 per share until April 20, 2008. The Units were subject to a hold period that expired August 20, 2007.

Bolder Investment Partners Ltd. acted as agent in respect of the placement. Bolder was paid a cash commission of $162,933 and 118,643 Units or 7.5 % of the total gross proceeds and was issued broker's warrants authorizing the purchase of up to 701,300 common shares at $0.70 per share until April 20, 2008 on the same terms as the warrants issued as part of the Units under the private placement.

The proceeds of the private placement are being used primarily for exploration and drilling on the Company's Sonora, Mexico claim properties, as well as for general working capital.

Additional disclosure concerning the Company's general and administrative expenses and resource property obligations and commitments are provided in the Company's consolidated statements of operations and deficit and notes therein.

The Company does not have any commitments for specific capital expenditures, as the agreements under which it may earn the interests in the mineral exploration properties are option agreements. However, the Company anticipates incurring the following expenditures from its available funds over the current fiscal year ended November 30, 2008:

| | **Description** | | |
|---|---|---|---|
| (1) | To make property option payments and mineral property tax estimated payments on the Colibri, Leon, and Ramard properties and on the San Francisco and Juarez claims situated on the Colibri property. | $ | 200,000 |
| (2) | (a) To conduct continuing exploration and drilling on the Colibri Property. | $ | 1,000,000 |
| | (b) To conduct continuing exploration and drilling on the Ramard Property. | $ | 500,000 |
| | (c) To conduct continuing exploration and drilling on the Leon Property. | $ | 1,000,000 |
| (3) | To cover estimated general and administrative expenses for a 12-month period | $ | 300,000 |
| (4) | To provide general working capital | $ | 750,000 |

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## Transactions with Related Parties

Accounts payable to related parties of $71,595 (November 30, 2007 – $30,925) is comprised of reimbursable travel costs to directors and a former director of the Company, consulting fees due to a company controlled by a director of the Company, and geological consulting fees due to a company controlled by former director of the Company.

During the from December 1, 2007 to February 29, 2008, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $22,500 (2007 - $NIL) to companies controlled by directors of the Company.

b) Paid or accrued office rent of $2,250 (2007 - $NIL) to a company controlled by a director of the Company.

c) Paid or accrued $23,110 (2007 - $21,175) in geological consulting fees, of which $23,110 (2007 - $21,175) are included in deferred exploration costs, to a company controlled by a former director of the Company.

d) Paid $NIL (2007 - $25,000) to a private Mexican company which is wholly owned by a private Canadian company that is controlled by a former director of the Company, of which a director of the Company is also a director of the private Canadian company. (Colibri property)

e) Paid $25,000 (2007 - $17,109) to a private Mexican company which is 50% owned by a former director of the Company. (Leon property)

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

## Risk and Uncertainties

The Company holds certain mineral property interests in Mexico, and as such is exposed to numerous risks and uncertainties common to other junior exploration companies.

The Company's business, results of operations, financial condition, and the trading price of its common shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of mineral deposits, metal prices, title matters, reclamation costs, metal price volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

The Company and its mineral exploration programs are at an early stage. The Company is not profitable and has no sources of revenue. The Company is reliant on raising equity and while this has been successful in the past, there is no assurance that it will be able to do so in the future.

The mineral claims that the Company has a right to acquire an interest in are in the exploration stage only. There is no assurance that the exploration activities of the Company will result in the discovery of a commercially viable mineral deposit.

Mineral exploration activities could result in injury and damage to life and property, possible adverse environmental impacts and possible legal liability.

The Company's financial results are denominated and reported in Canadian dollars. The Mexican operations involve payments in US dollars and Mexican pesos. Significant fluctuations of these currencies against the Canadian dollar could have a material effect on the Company's financial performance.

## Internal Controls

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Critical Accounting Policies/Critical Accounting Estimates

### 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.

**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.

**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.

## CHANGES IN ACCOUNTING POLICIES

As required by the CICA, on December 1, 2006, the Company adopted CICA Handbook Section 1530,'Comprehensive Income'; Section 3251, 'Equity'; Section 3855, 'Financial Instruments –Recognition and Measurement'; Section 3861, 'Financial Instruments – Disclosure and Presentation'; and Section 3865, 'Hedges'. The adoption of these new standards resulted in changes in the accounting for financial instruments. As required by the implementation of these new standards, the comparative consolidated financial statements have not been restated. The principal changes in the accounting for financial instruments and hedges due to the adoption of these accounting standards are described below:

**(i) Section 3855 - Financial Instruments – Recognition and Measurement**

**Section 3861 - Financial Instruments – Disclosure and Presentation**

Under these standards, financial assets and financial liabilities are initially recognized at their fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. The standards require that all financial assets and liabilities be classified either as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities. Financial instruments held for trading are measured at fair value with gains and losses recognized in net income. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are measured at amortized cost.

Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, are netted against the fair value of the financial instrument on initial recognition, with the exception of transaction costs related to financial instruments that are classified as held for trading. These transaction costs are then amortized over the expected life of the financial instrument using the effective interest method ("EIM"). Transaction costs related to held for trading financial instruments are expensed as incurred. Under the EIM, interest income and expense is calculated and recorded using an effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the initial net carrying amount of the financial asset or liability so as to produce a constant rate of interest over that term.

**Classification of financial instruments**

The following is a summary of the classifications the Company has elected to apply to each of its significant categories of financial instruments outstanding as of December 1, 2006:

| | |
|---|---|
| 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 |

**(ii) Section 1530 - Comprehensive Income**

This standard requires a new component of shareholders' equity, comprehensive income, to be included in the Company's consolidated financial statements. In addition, the standard requires a statement of comprehensive income. The major components of the statement of comprehensive income may include items such as unrealized gains and losses on financial assets classified as available-for-sale, deferred gains and losses arising from the settlement of historic cash flow hedging transactions and changes in the fair value of the effective position 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 has been included with these consolidated financial statements

**(iii) Section 3251 – Equity**

This standard establishes standards for the presentation of equity and changes in equity during the reporting period.

**(iv) Section 3865 - Hedges**

This standard describes when hedge accounting is appropriate. Hedge accounting ensures that all gains, losses, revenues and expenses from the derivative and the item it hedges are recorded in the statements of operations and comprehensive income in the same period. The Company does not have transactions that relate to hedging and hence this section is not applicable.

**Impact of adopting sections 1530, 3855 and 3865**

The Company has evaluated the impact of these new standards on its financial statements and determined that no adjustments are currently required.

## RECENT ACCOUNTING PRONOUNCEMENTS

(a) Financial Instruments

Effective December 1, 2007, the Company adopted two new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

(i) CICA 3862, “Financial Instruments – Disclosures”

This standard relates to the disclosures of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3863, “Financial Instruments – Presentation” must be adopted at the same time, replacing CICA 3861, “Financial Instruments – Disclosure and Presentation”. The Company has adopted the standard commencing December 1, 2007.

(ii) CICA 3863, “Financial Instruments – Presentation”

This standard relates to the presentation of financial instruments. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. Early adoption is permitted. CICA 3862, “Financial Instruments – Presentation” must be adopted at the same time, replacing CICA 3861, “Financial Instruments – Disclosure and Presentation”. The Company has adopted the standard commencing on December 1, 2007.

(b) CICA 1535, “Capital Disclosures”

This standard relates to the disclosure of capital management strategies. It applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company has adopted the standard commencing December 1, 2007.

(c) CICA 3064, “Goodwill and Intangible Assets”

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Intangible Assets”, and Section 3450, “Research and Development Costs”. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. Early adoption is permitted. The Company will adopt the standard commencing for its interim and annual financial statements for the fiscal year ending November 30, 2009. The adoption of this standard is not expected to have a significant impact on the Company’s financial statements.

(d) CICA 1400, “General Standards of Financial Statement Presentation”

In May 2007, the CICA issued amended Handbook Section 1400, “General Standards of Financial Statement Presentation”. The section provides revised guidance related to management’s responsibility to assess and disclose the ability of an entity to continue as a going concern. This amended standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. Early adoption is permitted. The Company will adopt the standard commencing for its interim financial statements for the period ending May 31, 2008. The adoption of this standard is not expected to have a significant impact on the Company’s financial statements.

## 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, February 29, 2008.

### 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.

### Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

**Credit Risk**

The Company is exposed to credit risk with respect to its accounts receivable; however, this is minimized because the amounts are due from a government agency.

**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.

**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 February 29, 2008 and November 30, 2007, the Company’s consolidated balance sheets included: $140,620 (2007 - $242,877) of cash denominated in U.S. currency and $20,711(2007 - $39,714) denominated in Mexico currency; $123,280 of accounts payable (2007 - $169,247) which were U.S. currency denominated and $10,785 (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 February 29, 2008 there were no foreign exchange contracts outstanding.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company believes that the liquidity risk is mitigated given its current cash reserve

## OUTSTANDING SHARE DATA

**Capital stock**

| | Number of Shares |
|---|---|
| Authorized | |
| Common shares without par value | 100,000,000 |
| Issued and Outstanding as at February 29, 2008 | 34,011,010 |

**Stock options**

At February 29, 2008, the following stock options were outstanding, with a weighted average life remaining of 4.4 years and weighted average fair value of $0.19 per option:

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 450,000 | $ 0.10 | October 20, 2011 |
| 1,090,000 | 0.26 | October 29, 2012 |
| 1,540,000 | | |

There were no changes in stock options during the three month period ended February 29, 2008.

## Warrants

The Company has 7,832,943share purchase warrants outstanding enabling the holders to acquire common shares, determined as follows:

| | Number of Shares | Exercise Price | Expiry Date |
|---|---|---|---|
| Balance at February 29, 2008 | 7,832,943 | $0.70 | April 20, 2008 |

There were no changes in stock options during the three month period ended February 29, 2008.

## 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:

| As at February 29, 2008 | | Canada | | Mexico | | Total |
|---|---|---|---|---|---|---|
| Net Loss | $ | (501,719) | $ | (49,430) | $ | (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 |

| As at February 28, 2007 | | Canada | | Mexico | | Total |
|---|---|---|---|---|---|---|
| Net Loss | $ | (26,738) | $ | 1,408 | $ | (25,330) |
| Current assets | | 632,915 | | 64,220 | | 697,135 |
| Equipment | | 3,671 | | 992 | | 4,663 |
| Mineral properties | | - | | 2,380,801 | | 2,380,801 |
| Total assets | $ | 636,586 | $ | 2,446,013 | $ | 3,082,599 |

## Additional Disclosure for Venture Issuers Without Significant Revenue

| | | Period Ended February 29, 2008 | | Period Ended February 28, 2007 |
|---|---|---|---|---|
| Capitalized or expensed Exploration and Development Costs | $ | 4,096,85 | $ | 2,380,801 |
| Expensed Research and Development Costs | $ | - | $ | - |
| General and Administrative Expenses | $ | 70,369 | $ | 32,651 |
| Material Costs | $ | - | $ | - |

## Capitalized or Expensed Exploration and Development Costs

For the Colibri property, we capitalized $99,381 during the period ended February 29, 2008 and $217,388 during the same period for 2007.

For the Ramaje Ardiente property, we capitalized $7,604 during the period ended February 29, 2008 and $100,388 during the same period for 2007.

For the Leon property, we capitalized $566,724 during the period ended February 29, 2008 and $25,560 during the same period for 2007.

## Additional Information

Additional information relating to our Company is available for viewing on the SEDAR website at http://www.sedar.com.