

# **S E C O N D Q U A R T E R R E P O R T**

SEPTEMBER 30, 2009



**NGEx RESOURCES INC.**  
**(Formerly Canadian Gold Hunter Corp.)**

# NGEx Resources Inc.

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## Second Quarter Highlights

- Towards the end of the second quarter the Company began to mobilize personnel, supplies and equipment to the **Josemaria** project for the drill program that is expected to start in November, 2009. The drill program will test possible extensions of the current inferred resource of 460 million tonnes at 0.39% copper and 0.30 grams/tonne gold at a cut off grade of 0.3% copper. Reprocessing and reinterpretation of previously collected geophysical data highlighted a chargeability anomaly that is coincident with the known resource and extends for approximately 500 metres to the northeast and 750 metres to the southwest. Copper and gold in soils are strongly anomalous over the northeast lobe of the geophysical anomaly. This suggests that there is potential to increase the resource at Josemaria. We plan to drill up to 2000 metres in 5 or 6 holes to test these targets. The US\$ 2 million program is funded by JOGMEC who may earn up to a 40% interest in Josemaria by spending \$6.13 million over three years.
- Once the drill program at Josemaria is complete the rig will move to **Los Helados** in Chile. Approximately 3500 metres of drilling at Los Helados will test a 1 square kilometre chargeability anomaly that lies just to the north of a hole drilled earlier this year that cut 762 metres of 0.43% copper and 0.22 grams/tonne gold with the final 43 metres grading 0.74% copper and 0.23 grams/tonne gold. Los Helados is part of the Vicuna joint venture with JOGMEC and work programs are funded 60% by NGEX and 40% by JOGMEC.
- At the **Zymo** copper-gold project in BC the Company completed a 5 hole drill program totaling 1,964 metres. The target at Zymo is copper-gold mineralization within a large porphyry-style alteration system that is 8 kilometres long by 2 kilometres wide and hosts several copper-gold mineralized targets including the Hobbes and the FM. Four holes were drilled in the Hobbes target, three (ZY-09-13, 15, 16) were each 100 metre step-outs to the west of last year's drill hole ZY08-09 which intersected 72.0 metres grading 0.72% copper and 0.54 grams/tonne gold from 15.0 to 87.0 metres. Each of the 2009 holes intersected mineralization and the Hobbes zone has now been traced over 600 metres in an east-west direction. The most westerly hole, ZY-09-16, intersected the longest interval of mineralization to date indicating good potential for further extension of the mineralized zone to the west and south. The fourth hole, ZY-09-14 is a vertical hole drilled at the site of ZY-08-09 which was an angle hole. This hole intersected 273 metres of 0.23% copper and 0.15 grams/tonne gold and confirms that mineralization persists to greater depth. The fifth hole ZY-09-17 was drilled in the FM zone located approximately 4 kilometres to the west of Hobbes, and hit lower grade copper-gold mineralization. NGEx has the option to earn a 60% interest in the property from Eastfield Resources Ltd by completing exploration expenditures of \$4 million over five years, and may earn an additional 10% interest by completing a feasibility study and further 5% by arranging mine financing for Eastfield.
- Field work on the Company's **Eritrean** licenses restarted in early October 2009 after the end of the rainy season. A gradient IP survey is underway along the structural trend north and south of Hambok. It has so far identified a chargeability anomaly that surrounds the known massive sulfide body and extends for several hundred metres north and south of the current limits of drilling. This suggests the possibility of additional mineralization on strike. The anomalies are still open and the IP survey continues. After the work in the Hambok area is completed the geophysical crew will move to the Koken target. Drilling of both the Hambok extensions and Koken is planned for later this year.
- During the quarter, the Company was granted two new prospecting licenses which cover a new discovery of volcanic-hosted massive sulfide (VHMS) occurrences in northern **Eritrea**. The massive sulfide prospects were discovered during regional exploration and are on a new and virtually unexplored VHMS trend in northern Eritrea. The **Shukula** prospect consists of outcropping gossan approximately 100 metres in length on which the best grab and chip-channel samples returned up to 2.8, 5.4, and 5.6 ppm gold, 0.5% copper, 1841 ppm zinc

and 1164 ppm lead. The altered rock package hosting the gossan extends for an additional 3 kilometres and contains discontinuous narrower lenses of gossan as well as oxidized stockwork zones. Work in the coming months will aim to define drill targets. The second license covers 4 kilometres along the southwestern extension of the Shukula gossan horizon. Rock chip samples from gossan and altered metavolcanic rocks on the license area returned results as high as 2.2 and 3.7 ppm gold, 2361 ppm copper as well as strongly anomalous zinc and lead.

- In early October the Company co-hosted a visit to Eritrea by a number of mining industry analysts who visited the Company's Hambok project as well as other projects in the country including Nevsun's Bisha development project. Feedback on the country and its exploration potential was very positive and we hope that this helps to more widely disseminate information about the tremendous exploration potential that we see in Eritrea.

### **Looking Forward**

During the third quarter the Company plans drill programs at Josemaria in Argentina, Los Helados in Chile, as well as its massive sulfide targets in Eritrea. We will continue our efforts to leverage our exploration dollars and to realize value from our project portfolio by pursuing joint ventures and/or sales of projects where this makes commercial sense.

**The long term goal is to build the Company into a diversified international exploration company that will pursue world class exploration opportunities around the world. We will pursue both organic growth and seek acquisition opportunities created by recent market turmoil. The Lundin Group's mining business has had some of its biggest successes in South America and Africa - both regions have continued potential to deliver new world class discoveries.**



Second Quarter 2009  
Period Ended September 30, 2009

**NGEx RESOURCES INC.**  
**(Formerly Canadian Gold Hunter Corp.)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SIX MONTHS ENDED SEPTEMBER 30, 2009**

This MD&A focuses on significant factors that have affected NGEx Resources Inc. ("the Company") and its subsidiaries and such factors that may affect its future performance. In order to understand the MD&A better, it should be read in conjunction with the unaudited consolidated financial statements for the six months ended September 30, 2009 and the March 31, 2009 year end audited consolidated financial statements and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollars amounts are expressed in Canadian dollars, unless otherwise indicated. The effective date of this MD&A is November 13, 2009.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.ngexresources.com](http://www.ngexresources.com).

## **OVERVIEW**

The Company is principally engaged in the acquisition, exploration and development of precious and base metal properties located in Africa, North and South America.

## **TRANSACTION WITH SANU RESOURCES LTD. ("Sanu")**

On August 20, 2009, the Company completed a business combination with Sanu pursuant to a Plan of Arrangement ("Sanu Arrangement"). Pursuant to the Sanu Arrangement, the Company acquired all of the issued and outstanding shares of Sanu by issuing 23,825,075 shares on the basis of 0.5725 share for each one Sanu share (the "Sanu Exchange Ratio"). All outstanding Sanu stock options were exchanged for replacement stock options of the Company using the Sanu Exchange Ratio. The Company had certain directors and significant shareholders in common with Sanu.

As a result of the Sanu Arrangement, the Company acquired a portfolio of gold and base metal exploration projects located in Africa.

## **TRANSACTION WITH SURAMINA RESOURCES INC. ("Suramina")**

On April 17, 2009, the Company completed a business combination with Suramina pursuant to a Plan of Arrangement ("Suramina Arrangement"). Pursuant to the Suramina Arrangement, the Company acquired all of the issued and outstanding shares of Suramina by issuing 52,227,705 shares on the basis of 0.7541 share for each one Suramina share (the "Suramina Exchange Ratio"). All outstanding Suramina stock options were exchanged for replacement stock options of the Company using the Suramina Exchange Ratio. The Company had certain directors and significant shareholders in common with Suramina.

As a result of the Suramina Arrangement, the Company acquired a large holding of gold and base metal exploration properties in South America. Pursuant to an agreement with a corporation owned by the previous President of Suramina, the Company is restricted from engaging in mining and exploration activities in the areas of Argentina between 30°30' and 32° latitude and the other corporation is only allowed to operate in that same area.

## **EXPLORATION REVIEW**

During the quarter ended September 30, 2009 the Company drilled the Zymo copper-gold project in BC with positive results. In Eritrea, the Company was granted two new licenses covering recently discovered outcropping mineralization. Toward the end of the quarter geophysical surveys commenced on several newly identified massive sulfide targets near the company's Hambok Deposit also in Eritrea. Initial results from the survey are encouraging and suggest potential for additional mineralization on strike from Hambok. The quarter was relatively quiet for the Company's Latin American exploration teams as they took advantage of winter and rainy seasons in South America and Mexico respectively to focus on data interpretation, target development, and preparations for the next field season. During the quarter the Company continued to prioritize its projects and to consider transactions including sales and joint ventures with the potential to stretch its exploration budget and to maximize the value of its portfolio.

### **Caballo Blanco Project, Mexico**

Caballo Blanco is a large high sulphidation epithermal gold system located approximately 70 kilometres north of the port city of Veracruz in Veracruz State, Mexico. The Caballo Blanco property includes approximately 20,500 hectares of mineral tenure which covers three main target areas; the Northern Zone gold target, the Highway Zone gold target, and the Central Zone copper target. The Company has an option to earn a 70% interest in the Caballo Blanco Property from Almaden Minerals Ltd.

The primary target at Caballo Blanco is gold mineralization in the Northern Zone. The Company has completed two phases of diamond drilling focused on Cerro La Paila a strongly silicified ridge which is one of the targets in the Northern Zone. The second phase of drilling consisting of 14 holes (3,606 metres) was completed on March 7, 2009. Drilling and surface sampling on Cerro La Paila to date have traced gold mineralization over approximately 800 metres by 450 metres and to depths of up to 250 metres.

In addition to Cerro La Paila there are five additional silicified zones forming high ridges in the Northern Zone which have received much less exploration. During the quarter the Company focused on detailed mapping and sampling of these areas to define targets for future drilling. Mapping, trenching, and geochemical sampling during the quarter defined a significant copper-gold target called the Red Valley Zone located along the main access road to the Northern Zone. The results of this work will be evaluated in the coming months.

### **Jose Maria Project, Argentina**

Jose Maria is a large copper/gold porphyry project located in San Juan Province, Argentina near the Vicuna group of properties described below. Jose Maria contains a NI 43-101 compliant inferred resource of 460 million tonnes at 0.39% tonnes copper and 0.30 grams/tonne gold at a 0.3% tonnes copper cut off. The Jose Maria resource is open in several directions. The Company acquired Jose Maria through its acquisition of Suramina completed in April 2009.

The Jose Maria and the adjacent 75% owned Batidero properties are subject to a joint exploration agreement ("Jose Maria JEA") dated March 16, 2009 with Japan Oil, Gas and Metals National Corporation ("Jogmec"). The Jose Maria JEA provides Jogmec the option to acquire a 40% interest in these properties. In consideration, Jogmec paid Suramina US\$1 million upon signing of the Jose Maria JEA and is required to make US\$6.13 million in exploration expenditures over three years in order to acquire the 40% interest. Jogmec will spend US\$2,000,000 during the coming field season beginning in October 2009. Once Jogmec has earned its interest, the partners will fund ongoing expenditure pro-rata to their ownership interest.

During the current quarter all the existing geophysical data on the project was re-processed and re-interpreted. This work has defined a significant induced polarization (IP) chargeability anomaly extending approximately 500 metres to the northeast and 750 metres to the southwest of the existing resource. The area to the northeast is coincident with strongly anomalous copper, molybdenum, and gold in soils. The area to the southwest is coincident with outcrops of hydrothermal breccia. These and other targets will be followed up in a Jogmec funded drill program totaling approximately 2,000 metres in 5 to 6 holes expected to start in early November 2009. The objective of the drill program is to test possible extensions of the current resource that have the potential to add significant additional resources.

#### **Vicuna Project, Argentina and Chile**

The Vicuna properties comprise a large land package of approximately 18,300 hectares that covers a number of porphyry copper and high sulfidation gold targets in San Juan Province, Argentina and immediately adjacent parts of Chile. The Vicuna Properties are adjacent to Jose Maria and are subject to a separate Joint Venture Exploration Agreement (the "Vicuna JEA") with Jogmec in which the Company holds a 60% participating interest and Jogmec holds a 40% participating interest. Each party funds its pro rata share of expenditures.

The Vicuna project includes several copper gold targets that have been explored in the past including: Filo del Sol where previous drilling has identified near surface copper oxides and gold overlying diatreme hosted gold target and a deeper porphyry copper target. Another significant copper-gold system has been identified at Los Helados on the Chilean portion of the Vicuna Property. Drilling completed in the first half of 2009 included drill hole LH 04 which intercepted 762 metres of 0.43% copper and 0.22 grams/tonne gold with the final 43 metres grading 0.74% copper and 0.23 grams/tonne gold.

A deep penetrating MIMDAS geophysical survey was completed last quarter to better define the mineralization at depth and to the north and west of LH 04. This survey defined a chargeability anomaly measuring approximately 1,000 metres by 750 metres located just to the north of drill hole LH 04. Follow-up drilling of approximately 3,500 metres to test this target is planned for December, 2009, immediately following completion of the drill program at Jose Maria.

#### **Cerro Cuadrado Property, Argentina**

The 100% owned Cerro Cuadrado is a high grade silver/zinc project located in Santa Cruz Argentina. There was no work done on this project during the current quarter. Work in prior quarters identified multiple veins containing zinc, lead and silver. Highlights include CC-25, which returned 17.7 metres grading 106 g/t silver, 8.27% zinc, 3.96% lead. The vein system remains open along strike to the north. The company is actively seeking partners to do further exploration on the project.

### **GJ/Kinaskan Project, Canada**

The GJ/Kinaskan Property is located in northwest British Columbia, Canada, about 10 kilometres west of Highway 37. The claims cover an area of about 150 square kilometres and cover a number of significant mineral showings, including the Donnelly, GJ and North zones. The Company has a 100% working interest in the property. The GJ project has a measured and indicated resource, of 153.3 million tonnes grading 0.321% copper and 0.369 g/t gold, at a cut off grade of 0.20% copper which contains 1.09 billion pounds of copper and 1.82 million ounces of gold. The resource estimate was prepared to NI 43-101 standards by qualified person Mr. Gary Giroux P.Eng. No further work is planned on the GJ/Kinaskan Project and the Company is actively seeking to divest it.

### **Zymo Project, Canada**

The Zymo property is located 40 kilometres west of Smithers in central British Columbia, Canada. The Company has an option to earn up to a 75% interest in the Zymo property from Eastfield Resources Ltd ("Eastfield"). The initial exploration program on the Hobbes target included a 6-hole 1,550-metre diamond drill program in 2008, the highlight of which was an intersection of 72.0 metres in ZY08-09, which graded 0.72% copper and 0.54 g/t gold from 15.0 to 87.0 metres.

During the quarter the Company completed a 5 hole drill program totaling 1,964 metres. Four holes were drilled in the Hobbes target and one hole tested a showing in the FM Zone. All holes intersected mineralization.

Of the four holes drilled in the Hobbes target, three (ZY-09-13, 15, 16) were each 100 m step-outs to the west of previous drilling. Each of these holes intersected mineralization and the Hobbes zone has now been traced over 600 metres in an east-west direction. The most westerly hole, ZY-09-16, intersected the longest interval of mineralization to date indicating good potential for further extension of the mineralized zone to the west and south. Hole ZY-09-14 is a vertical hole drilled at the site of previously released holes ZY-08-09 (72.0 metres of 0.72% copper; 0.54 g/t gold) and ZY-08-10 (57.0 metres of 0.43% copper; 0.32 g/t gold). This hole intersected 273 metres of 0.23% copper and 0.15 g/t gold and confirms that mineralization persists to greater depth. Hole ZY-09-17 was drilled in the FM zone.

Work on the Zymo property to date has confirmed the presence of a sulphide mineralized copper-gold system that is over 8 kilometres long and 2 kilometres wide and hosts several mineralized targets including the Hobbes and FM. Fill-in soil geochemical sampling was carried out on the URC target which lies 1.5 kilometres west of the Hobbes Zone and confirmed a 1.5 kilometres long coincident copper-gold anomaly. This target is beyond the end of the geophysical grid and prospecting found no outcrops, however, a sample of mineralized float returned 0.33% copper and 0.22 g/t gold. This target further expands the discovery potential of the property.

The Company has the option to earn a 60% interest in the property by completing exploration expenditures of \$4 million over five years. The Company may earn an additional 10% interest by completing a feasibility study and an additional 5% by arranging mine financing for Eastfield.

### **Chilean Properties**

Regional exploration and prospecting is underway on a number of early stage copper-gold projects in Chile. Reconnaissance mapping and geochemical sampling was carried out on three porphyry copper prospects Farol, Andrea and Cardamo all located in central Chile.

## **Other Argentine, Colombian and Peruvian Properties**

Limited prospecting and geochemical sampling were carried out on other properties in Argentina, Colombia and Peru during the quarter. The Company is in discussion with third parties to potentially option its properties in Colombia and to joint venture or divest of non-core properties in Argentina.

## **African Properties**

### **Eritrea**

The Company holds two exploration licenses which cover extension of the rocks hosting Nevsun Resources's Bisha copper-zinc-gold deposit. The Company's Mogoraib License hosts the Hambok deposit which has a NI 43-101 compliant indicated resource (at a 0.75% zinc cutoff) of 10.7 million tonnes grading 0.98% copper, 2.25% zinc, 6.84 g/t silver, 0.20 g/t gold and an additional inferred resource (at a 0.75% zinc cutoff) of 17.0 million tonnes of 0.85% copper, 1.74% zinc, 5.89 g/t silver, 0.19 g/t gold.

Field work on the Company's Eritrean licenses restarted in early October 2009 after the end of the rainy season. A gradient IP survey is underway along the structural trend north and south of Hambok. It has so far identified a chargeability anomaly that surrounds the known massive sulfide body and extends for several hundred metres north and south of the current limits of drilling. This suggests the possibility of additional mineralization on strike. The anomalies are still open as of the date of this document and work continues. After the work in the Hambok area is completed the geophysical crew will move to the Koken target. Drilling of both the Hambok extensions and Koken is planned for later this year.

During the quarter, the Company was granted two new prospecting licenses which cover a new discovery of volcanic-hosted massive sulfide (VHMS) occurrences in northern Eritrea. The massive sulfide prospects were discovered during regional exploration and are on a new and virtually unexplored VHMS trend in northern Eritrea.

The Shukula prospect consists of outcropping gossan 100 metres in length on which the best grab and chip-channel samples returned up to 2.8, 5.4, and 5.6 ppm gold, 0.5% copper, 1841 ppm Zinc and 1164 lead. The altered rock package hosting the gossan extends for an additional 3 kilometres and contains discontinuous narrower lenses of gossan as well as oxidized veinlet stockwork zones. Work in the coming months will aim to define drill targets.

The Lelit license covers 4 kilometres of prospective strike on the southwestern extension of the Shukula gossan horizon. Rock chip samples from gossan and altered metavolcanic rocks on the license area returned results as high as 2.2 and 3.7 ppm gold, 2361 ppm copper as well as being strongly anomalous in zinc and lead.

### **Burkina Faso**

The Company holds or has rights to 5 exploration licenses subject to yearly renewal covering significant greenstone gold targets that are geologically similar to those hosting the major gold deposits in neighboring Ghana and Mali.

The company is actively seeking partners for its Burkina Faso projects. Interested parties are currently reviewing data on the projects.

### Congo-Brazzaville

The Company has several prospecting licenses and is continuing to wait for final approval from the Council of Ministers of the Republic of Congo of its application to convert these exploration licenses located northwest of Brazzaville.

## CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2009, the Company has adopted the following Canadian Institute of Chartered Accountants new accounting standard:

Section 3064, "Goodwill and Intangible Assets". This section replaces Handbook section 3062 "Goodwill and Other Intangible Assets" and establishes revised standards for the recognition, measurement and disclosure of goodwill and intangible assets. There was no material impact on the Company's financial condition or operating results as a result of the adoption of the new standard.

During the year ended March 31, 2008, the Company changed its accounting policy for mineral property exploration costs whereby property exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. The effect of this change in accounting policy resulted in an increase in the net loss and basic and diluted loss per common share of \$2,503,783 and \$0.05 respectively, for the six months ended September 30, 2008 and a decrease in mineral properties and future income taxes liabilities of \$1,971,085 and \$532,698, respectively, at September 30, 2008.

## SELECTED QUARTERLY INFORMATION

Financial Data for 8 Quarters								
Three Months Ended	Sep-09	Jun-09	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
A. Exploration Expenses, net of recoveries (\$000's)	1,448	1,140	1,113	1,097	2,349	1,282	1,621	1,296
B. Net loss (\$000's)	1,855	1,920	1,050	1,254	2,648	1,710	2,119	1,308
C. Basic and diluted loss per share (\$)	0.02	0.02	0.02	0.02	0.05	0.03	0.04	0.02

## QUARTERLY ANALYSIS

Net loss, quarter over quarter, is affected by the level of exploration and project investigation expenses incurred and write-off of mineral properties interests and will vary accordingly. Net loss is also impacted by the recognition of stock based compensation in that quarter, which will depend on options granted and vested. Exploration expenditures are affected to some extent by seasonal factors.

## RESULTS OF OPERATIONS

The Company recorded a loss of \$1.9 million or \$0.02 per common share for the second quarter ended September 30, 2009 compared to a loss of \$2.6 million or \$0.05 per common share in the second quarter in 2008. The decrease is primarily due to a decrease in exploration expenditures resulting from the Company reducing its expenditures levels in light of current market conditions.

Net loss for the six months ended September 30, 2009 was \$3.8 million or \$0.03 per common share compared to a loss of \$4.4 million or \$0.08 per common share for the comparative period ended September 30, 2008. The decrease in loss as compared to 2008 is primarily due to a decrease in exploration expenditures offset by higher wages and benefits relating to severance costs paid to the former President and Vice-President of the Company. Management fees have also increased as a result of the expansion into South America and Africa through the acquisition of Suramina and Sanu.

The operating losses are a reflection of the Company's status as a non-revenue producing mineral exploration company. As the Company has no main source of income, losses are expected to continue.

## LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2009, the Company had cash of \$6.1 million and working capital of \$5.5 million as compared to cash and working capital of \$5.1 million and \$5.3 million, respectively, at March 31, 2009.

Net cash used in operating activities was \$4.3 million for the six months ended September 30, 2009 and consisted primarily of the loss from operations of \$3.8 million and adjusted for the impact of non-cash items and changes in non-cash working capital items.

Net cash from investing activities was \$5.3 million and consisted mainly of net cash acquired on the acquisition of Suramina and Sanu of \$5.4 million offset in part by mineral property expenditures of \$100,650 relating to the Lirio and Zymo properties.

Based on the Company's financial position at September 30, 2009, the Company believes that existing funds will be sufficient to perform planned discretionary exploration and general corporate activities for at least the next twelve months. Additional funding will be required in the future to fund further exploration and corporate expenses.

The global credit crisis has adversely affected the mineral industry and the ability to raise exploration funding through the equity market. While the equity markets have improved somewhat, there can be no assurance that equity financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgements about matters that are inherently uncertain.

Note 2 to the consolidated financial statements for the year ended March 31, 2009 include a summary of the significant accounting policies adopted by the Company. Accounting estimates deemed most critical by the Company are discussed in the Company's 2009 annual MD&A dated June 23, 2009. There have been no material changes to the critical estimates discussed in the Company's 2009 annual MD&A.

## **RELATED PARTY TRANSACTIONS**

During the six months ended September 30, 2009, the Company:

- (a) incurred fees of \$306,735 (2008 - \$168,000) to a company controlled by a director pursuant to an agreement for administration, management services and office facilities, which is due for renewal on August 31, 2011. Effective September 1, 2009, the monthly fee was increased to \$45,000. At September 30, 2009, \$47,466 (March 31, 2009 - \$7,076) was due to this company and included in amounts due to related parties.
- (b) incurred legal fees of \$85,200 (2008 - \$28,000) to a law firm of which a partner is a director of the Company. At September 30, 2009, \$3,615 (March 31, 2009 - \$27,362) was due to this law firm and included in amounts due to related parties.

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

## **OUTSTANDING SHARE DATA**

As at November 13, 2009, the Company had 134,258,391 common shares outstanding, 4,578,664 share options outstanding under its stock-based incentive plans and 34,349 warrants outstanding. As at the same date, the Company had no share purchase warrants outstanding.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, investment, accounts receivable, other assets, accounts payable and accrued liabilities and due to/from related parties and joint venture partners. The carrying value of cash, investment, receivables and payables approximates fair value.

## **CONTINGENCY**

Suramina's subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim from the Banco Central de la Republica Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit for foreign exchange conversions on those days. DPM have filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

The Canadian Accounting Standards Board ("AcSB") has set January 1, 2011 as the date for publicly-listed companies to adopt IFRS, replacing Canadian GAAP. Accordingly, IFRS compliant financial statements will be required for the first quarter of 2011. Comparative figures presented in these financial statements are also required to comply with IFRS.

During the year ended March 31, 2009, the Company completed an IFRS diagnostic study to assess the impact of the transition to IFRS on the Company's accounting policies and to establish a project plan to implement IFRS. A number of key accounting areas where IFRS differs and accounting alternatives were reviewed. The Company has recently started the process to make a determination of the impact of transition to IFRS on its financial statements and systems, if any. This second phase of the conversion plan will include detailed assessments and technical analysis that will result in understanding potential impacts, decisions on accounting policy choices and the drafting of accounting policies. The Company expects this phase to be completed in late 2009/early 2010. The final phase of implementation and transitioning to IFRS is being planned for 2010. Training of Company personnel is continuing with the assistance of external advisors.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's management, under the supervision of the President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining the disclosure controls and procedures of the Company. There have been no changes in the Company's disclosure controls and procedures during the quarter ended September 30, 2009.

The Company's management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Any system no matter how well conceived or operated has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and will not prevent all errors and frauds.

Related to the Sanu acquisition, management has concluded that as at September 30, 2009 weaknesses existed in the design of internal control over financial reporting due to segregation of duties in the Sanu's foreign subsidiaries in Africa as a result of having a limited number of accounting staff. Management is addressing this through the implementation of monetary controls and oversight of reports.

## **RISKS AND UNCERTAINTIES**

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of geologic and political environments. Beyond exploration risk, management is faced with a number of other risk factors. For a complete discussion of the risks and uncertainties refer to the Company's 2009 annual MD&A file dated June 23, 2009. There have been no material changes in the risks and uncertainties that were discussed in the Company's 2009 annual MD&A.

## **OFF-BALANCE SHEET AGREEMENTS**

The Company has no off-balance sheet arrangements.

## **OUTLOOK**

The Company's field programs in South America and Eritrea restarted in October 2009. Drill programs are planned at Jose Maria in Argentina, Los Helados in Chile, and Eritrea. Drilling will continue into the early part of 2010. The Company will continue to evaluate opportunities to leverage its exploration dollars and to realize value from our project portfolio by pursuing joint ventures and/or sales of projects where this makes commercial sense. The long term goal is to build the Company into a diversified international exploration vehicle that will provide a platform to pursue world class exploration opportunities around the world. We will pursue both organic growth and seek acquisition opportunities created by recent market turmoil. The Lundin Group's mining business has had some of its biggest successes in South America and Africa- both regions with continued potential to deliver new world class discoveries.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain of the statements made and contained herein in the MD&A and elsewhere constitute forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or achieved. Forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements including, without limitation, exploration/drill results and budgets; mineral reserve and resource estimates and the geology, grade and continuity of mineral deposits; metal price and foreign currency fluctuations; uncertain political and economic environments; changes in laws or policies; delays or the inability to obtain the necessary government permits; the need to obtain financing and uncertainty as to the availability and terms of future financing; uncertainties involved in dispute or litigation and other risks and uncertainties describe under Risks and Uncertainties disclosed above and in the Company's Annual Information Form. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.

**NGEx RESOURCES INC. (formerly Canadian Gold Hunter Corp)**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<u>September 30,</u> <u>2009</u>	<u>March 31,</u> <u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash (Note 6)	\$ 6,131,895	\$ 5,091,454
Investments	9,820	-
Accounts receivable	525,999	403,704
Prepaid expenses	63,126	22,646
Due from joint venture partners	9,458	-
	<u>6,740,298</u>	<u>5,517,804</u>
Fixed assets, net (Note 8)	536,707	159,310
Mineral properties (Note 9)	29,737,931	3,996,052
Other assets	43,500	372,359
	<u>\$ 37,058,436</u>	<u>\$ 10,045,525</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 803,623	\$ 187,283
Due to related parties (Note 12)	51,081	59,438
Due to joint venture partners	434,090	-
	<u>1,288,794</u>	<u>246,721</u>
Long Term Liabilities		
Future income taxes	875,000	875,000
	<u>2,163,794</u>	<u>1,121,721</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 11)		
134,258,391 shares (March 31, 2009 - 58,108,286 shares)	142,970,036	113,522,946
Reserved for issuance 20,348 shares (March 31, 2009 - 20,348 shares)	1,290	1,290
Contributed surplus - stock options	2,872,923	2,574,503
Deficit	(110,949,607)	(107,174,935)
	<u>34,894,642</u>	<u>8,923,804</u>
	<u>\$ 37,058,436</u>	<u>\$ 10,045,525</u>
Nature and Continuance of Operations (Note 1)		

ON BEHALF OF THE BOARD:

/s/William A. Rand  
Director

/s/Wojtek A. Wodzicki  
Director

**NGEx RESOURCES INC. (formerly Canadian Gold Hunter Corp)**  
**INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**  
**AND COMPREHENSIVE LOSS**  
**(Unaudited)**

	Three months ended		Six months ended	
	September 30,		September 30,	
	2009	2008	2009	2008
		(Restated-Note3)		(Restated-Note3)
<b>Expenses</b>				
Exploration and project investigation (Note 10)	\$ 1,447,726	\$ 2,349,387	\$ 2,587,517	\$ 3,631,017
Management fees	162,817	84,000	306,735	168,000
Office and general	(7,810)	9,865	13,208	16,074
Professional fees	56,792	23,658	104,926	52,744
Promotion and public relations	13,427	18,421	39,250	69,810
Donation	-	83,007	-	83,007
Stock exchange and filing fees	4,505	16,652	23,158	29,039
Transfer agent and shareholder information	24,332	17,268	37,680	23,926
Travel	20,552	77	26,924	1,551
Wages and benefits	79,486	52,758	513,309	107,906
Stock based compensation	36,606	71,025	329	285,199
<b>Loss before the undernoted items</b>	1,838,433	2,726,117	3,653,037	4,468,272
Other (income) expenses				
Interest expense (income)	607	(58,481)	(7,263)	(69,883)
Foreign exchange gain (loss)	(11,763)	(77,004)	36,066	(97,354)
Other expenses	27,624	-	92,832	-
Write-off of mineral property interests	-	57,775	-	57,775
<b>Loss and comprehensive loss for the period</b>	1,854,901	2,648,406	3,774,672	4,358,810
<b>Deficit, beginning of the period</b>	109,094,706	102,223,771	107,174,935	100,513,367
<b>Deficit, end of the period</b>	\$ 110,949,607	\$ 104,872,177	\$ 110,949,607	\$ 104,872,177
<b>Basic and diluted loss per common share</b>	\$ 0.02	\$ 0.05	\$ 0.03	\$ 0.08
<b>Weighted average number of shares outstanding</b>	120,966,008	57,622,164	110,828,289	55,822,597

See notes to consolidated financial statements

**NGEx RESOURCES INC. (formerly Canadian Gold Hunter Corp)**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2009	2008 (Restated-Note3)	2009	2008 (Restated-Note3)
<b>Cash flows from (used in) operating activities</b>				
Loss for the period	\$ (1,854,901)	\$ (2,648,406)	\$ (3,774,672)	\$ (4,358,810)
Items not affecting cash				
Depreciation	49,208	8,467	99,278	16,977
Stock based compensation	39,307	88,348	5,722	345,558
Write-off of mineral property interests	-	57,775	-	57,775
	<u>(1,766,386)</u>	<u>(2,493,816)</u>	<u>(3,669,672)</u>	<u>(3,938,500)</u>
Changes in non-cash working capital items				
Accounts receivable and prepaid expenses	23,809	(146,435)	191,706	(359,246)
Accounts payable and accrued liabilities	(146,815)	352,782	(979,153)	187,274
Due to related parties	45,925	(19,479)	(127,279)	(29,321)
Advances from/(to) joint venture partners	773,318	-	257,762	-
	<u>(1,070,149)</u>	<u>(2,306,948)</u>	<u>(4,326,636)</u>	<u>(4,139,793)</u>
<b>Cash flows from financing activities</b>				
Common shares issued, net	51,582	8,043,768	51,582	8,043,768
	<u>51,582</u>	<u>8,043,768</u>	<u>51,582</u>	<u>8,043,768</u>
<b>Cash used in investing activities</b>				
Net cash acquired on acquisitions	615,400	-	5,416,146	-
Mineral properties and related expenditures	-	-	(100,650)	(20,000)
Purchase of equipment	-	(7,940)	-	(13,265)
Other assets	16,550	-	-	-
	<u>631,950</u>	<u>(7,940)</u>	<u>5,315,496</u>	<u>(33,265)</u>
<b>Increase (decrease) in cash</b>	(386,617)	5,728,880	1,040,442	3,870,710
<b>Cash, beginning of the period</b>	<u>6,518,512</u>	<u>2,253,137</u>	<u>5,091,454</u>	<u>4,111,307</u>
<b>Cash, end of the period</b>	<u>\$ 6,131,895</u>	<u>\$ 7,982,017</u>	<u>\$ 6,131,895</u>	<u>\$ 7,982,017</u>

See notes to consolidated financial statements

**NGEx RESOURCES INC.**  
**(Formerly Canadian Gold Hunter Corp.)**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2009**  
**(Amounts are stated in Canadian dollars, unless otherwise stated)**  
**(Unaudited)**

**1. NATURE AND CONTINUANCE OF OPERATIONS**

NGEx Resources Inc. (the "Company") is a Canadian federal company engaged in the acquisition, exploration and development of mineral properties in Africa, North and South America.

The recoverability of the cost of mineral properties expenditures is dependent upon the discovery of economically recoverable reserves, preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the project, and future profitable production or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material reductions in the carrying amount of mineral properties and related fixed assets.

The mineral properties are also subject to title and sovereign risks, including political and economic instability, government regulations relating to mining, military repression, civil disorder, currency fluctuations and inflation, all or any of which may impede the Company's activities or may result in the impairment or loss of part or all of the Company's interest in the properties.

**2. BASIS OF PRESENTATION**

The unaudited interim consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles using the same accounting policies and methods of application as those disclosed in Note 2 to the Company's audited consolidated financial statements for the year ended March 31, 2009.

These interim consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements included in the Company's 2009 Annual Report.

**3. CHANGES IN ACCOUNTING POLICIES**

Effective April 1, 2009, the Company has adopted the following Canadian Institute of Chartered Accountants new accounting standard:

Section 3064, "Goodwill and Intangible Assets". This section replaces Handbook section 3062 "Goodwill and Other Intangible Assets" and establishes revised standards for the recognition, measurement and disclosure of goodwill and intangible assets. There was no material impact on the Company's financial condition or operating results as a result of the adoption of the new standard.

During the year ended March 31, 2008, the Company changed its accounting policy for mineral property exploration costs whereby property exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. The effect of this change in accounting policy resulted in an increase in the net loss and basic and diluted loss per common share of \$2,503,786 and \$0.05 respectively, for the six months ended September 30, 2008 and a decrease in mineral properties and future income taxes liabilities of \$1,971,085 and \$532,698, respectively, at September 30, 2008.

#### 4. ACQUISITION OF SURAMINA RESOURCES INC.

On April 17, 2009, the Company acquired Suramina Resources Inc ("Suramina") through a plan of arrangement by issuing a total of 52,227,705 shares to the shareholders of Suramina on the basis of 0.7541 share (Suramina Exchange Ratio) for each Suramina share. In addition, the Company issued a total of 1,166,967 replacement options to the Suramina option holders based on the Suramina Exchange Ratio. The Company had certain directors and significant shareholders in common with Suramina.

The net assets acquired on the acquisition of Suramina are not considered to meet the definition of a business under Emerging Issues Abstract 124, as published by the Canadian Institute of Chartered Accountants, accordingly, the acquisition had been accounted for as a purchase of assets and liabilities. The allocation of the purchase price is summarized as follows:

##### **Purchase price:**

Share issued on acquisition (52,227,705 shares)	\$17,235,143
Acquisition costs	<u>393,735</u>
	<u>\$17,628,878</u>

##### **Net assets acquired**

Cash	\$ 4,865,652
Accounts receivable and prepaid expenses	306,726
Due from joint venture partners	20,684
Fixed assets	476,675
Mineral properties	13,495,627
Accounts payable and accrued liabilities	(1,239,830)
Due to related parties	(118,922)
Due to joint venture partners	<u>(177,734)</u>
	<u>\$17,628,878</u>

The purchase price has been allocated to the fair value of the assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of acquisition.

For the six months ended September 30, 2009

Cash acquired on acquisition	\$ 4,865,652
Cash paid for transaction costs	<u>(64,905)</u>
Net cash received from the acquisition	<u>\$ 4,800,747</u>

## 5. ACQUISITION OF SANU RESOURCES LTD.

On August 20, 2009, the Company acquired Sanu Resources Ltd. ("Sanu") through a plan of arrangement by issuing a total of 23,825,075 shares to the shareholders of Sanu on the basis of 0.5725 share (Sanu Exchange Ratio) for each Sanu share. In addition, the Company issued a total of 2,093,432 replacement options to the Sanu option holders based on the Sanu Exchange Ratio. The Company had certain directors and significant shareholders in common with Sanu.

The net assets acquired on the acquisition of Sanu are not considered to meet the definition of a business under Emerging Issues Abstract 124, as published by the Canadian Institute of Chartered Accountants, accordingly, the acquisition had been accounted for as a purchase of assets and liabilities. The allocation of the purchase price is summarized as follows:

### Purchase price:

Share issued on acquisition (23,825,075 shares)	\$12,150,788
Fair value of options and warrants issued	302,275
Acquisition costs	<u>81,526</u>
	<u>\$12,534,589</u>

### Net assets acquired

Cash	\$ 696,926
Accounts receivable and prepaid expenses	47,750
Mineral properties	12,145,572
Accounts payable and accrued liabilities	<u>(355,659)</u>
	<u>\$12,534,589</u>

The purchase price has been allocated to the fair value of the assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of acquisition.

For the six months ended September 30, 2009

Cash acquired on acquisition	\$ 696,926
Cash paid for transaction costs	<u>(81,526)</u>
Net cash received from the acquisition	<u>\$ 615,400</u>

## 6. CASH

As at September 30, 2009, the Company is committed to spend approximately \$11,000 (March 31, 2009-\$423,000) in accordance with flow-through share agreements entered into through private placements. The balance is included in cash, but is segregated to complete the qualified expenditures on Canadian mineral property exploration.

## 7. INVESTMENT

Investment is comprised of available for sale marketable securities in TNR Resources Corp ("TNR") shares with a fair value of \$9,820 (2009-\$nil) as at September 30, 2009. These securities were received from TNR as settlement of amounts owed in respective of their share of costs on joint venture properties. Subsequent to September 30, 2009, the Company disposed of 80,000 common shares for gross proceeds of \$24,000.

**8. FIXED ASSETS, NET**

September 30, 2009 (Outstanding)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Furniture and office equipment	\$ 214,090	\$ (57,750)	\$ 156,340
Vehicles	107,099	(50,904)	56,195
Field equipment	<u>369,182</u>	<u>(45,010)</u>	<u>324,172</u>
	<u>\$ 690,371</u>	<u>\$ (153,664)</u>	<u>\$ 536,707</u>

March 31, 2009

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Furniture and office equipment	\$ 27,773	\$ (14,605)	\$ 13,168
Vehicles	91,093	(10,019)	81,074
Field equipment	<u>93,188</u>	<u>(28,120)</u>	<u>65,068</u>
	<u>\$ 212,054</u>	<u>\$ (52,744)</u>	<u>\$ 159,310</u>

**9. MINERAL PROPERTIES**

The carrying value of the Company's mineral properties is as follows:

	<u>September 30, 2009</u>	<u>March 31, 2009</u>
<b>Canada</b>		
GJ/Kinaskan	\$ 261,552	\$ 261,552
Zymo	108,000	78,000
<b>Mexico</b>		
Caballo Blanco	3,656,500	3,656,500
<b>South America</b>		
Unallocated	13,566,307	-
<b>Africa</b>		
Unallocated	<u>12,145,572</u>	<u>-</u>
<b>Total</b>	<u>\$29,737,931</u>	<u>\$ 3,996,052</u>

**(a) CANADIAN PROPERTIES**

(i) GJ and Kinaskan Lake Properties, B.C.

GJ Property – The Company owns a 100% interest in the GJ Property, a porphyry copper-gold prospect located in northern British Columbia.

Kinaskan Lake Property – The Company owns a 100% interest in the Kinaskan Lake mineral claims located in the Liard Mining District, British Columbia. The claims are subject to a net smelter return royalty of 1%, one-half of which may be repurchased by the Company for \$500,000 for a term of 25 years.

## (ii) Zymo Property, B.C.

In May, 2008, the Company signed an option agreement with Eastfield Resources Ltd. to earn up to a 75% interest in the Zymo Property, located 40 kilometres west of Smithers, BC. The Company can earn an initial 60% interest in the property by making cash payments totaling \$350,000 over five years (\$50,000 paid) and completing exploration expenditures of \$4 million (\$1.1 million spent) over five years and issuing 50,000 shares (issued). A further 10% interest may be earned by completing a feasibility study and a further 5% by arranging mine financing for Eastfield.

**(b) MEXICAN PROPERTY**

## Caballo Blanco Property, Mexico

In May, 2007, the Company entered into an option agreement with Almaden Resources Ltd ("Almaden") to acquire a 70% interest in the Caballo Blanco Property in exchange for issuing 1.0 million common shares to Almaden (issued), making a cash payment of US\$500,000 to a subsidiary of Almaden (paid) and expending a total of US\$12 million (US\$7.7 million spent) in minimum annual tranches through May 2013. Upon completion of the minimum expenditures of US\$12 million, the two parties will enter into a joint venture agreement which will result in the Company holding an initial 70% participating interest in the joint venture.

If the Company elects to complete a Bankable Feasibility Study in connection with the Property, the Company has agreed to sole fund all costs. The Company is entitled to recover on a preferential basis, all the expenditures it has incurred to exercise the option and to complete the feasibility study from the proceeds of production.

**(c) SOUTH AMERICAN PROPERTIES ACQUIRED FROM SURAMINA**

**The allocation of the purchase consideration to individual properties acquired in the acquisition of Suramina has not yet been finalized.**

## (i) Vicuna Joint Exploration Agreement ("Vicuna JEA"), Argentina

The Vicuna properties comprise a portion of the Lirio properties (Note 9(c)(iii)), the Vicuna property (Note 9(c)(iv)), the La Chola property (Note 9(c)(vi)) and certain staked properties including the Los Helados project directly across the border in Chile. These properties are subject to the Vicuna JEA with Japan oil, Gas and Metals National Corporation ("Jogmec") whereby the Company and Jogmec are funding expenditures on a pro rata basis as to 60% and 40% respectively. Amount due to Jogmec at September 30, 2009 was US\$20,530.

## (ii) Jose Maria and Batidero properties, Argentina

The Jose Maria and the adjacent 75% owned Batidero properties are subject to a joint exploration agreement ("Jose Maria JEA") dated March 16, 2009 with Jogmec. The Jose Maria JEA provides Jogmec the option to acquire a 40% interest in these properties.

In consideration, Jogmec paid Suramina US\$1 million upon signing of the Jose Maria JEA and is required to spend a total of US\$6.13 million in exploration expenditures over a period of three years in order to meet the terms of the option agreement. Once Jogmec has earned its interest, the partners will fund ongoing expenditure pro-rata to their ownership interest. Amount due to Jogmec at September 30, 2009 was US\$413,560.

(iii) Lirio Properties: copper/gold exploration properties in San Juan Province

The Company has a 100% ownership in the Lirio properties, comprising of the Jose Maria deposit and various other exploration targets. If a mine is put into production, the underlying property holder is entitled to a 0.5 % Net Smelter Return and a further US\$2 million within 6 months following the second complete year of mine operations.

A portion of the Lirio properties (excluding Jose Maria) forms part of the Vicuna JEA (Note 9(c)(i)). The Jose Maria property forms part of the Jose Maria JEA (Note 9(c)(ii)).

(iv) Vicuña Property: copper/gold exploration property in San Juan Province

The Company has a 75% interest in the Vicuna properties, which forms part of the Jogmec Vicuna JEA (Note 9(c)(i)). Within 30 months after a mine goes into production, a US\$1,100,000 is payable to the other 25% owners.

(v) Batidero Property: gold/silver exploration property in San Juan Province Northern Properties: copper and gold exploration property in San Juan/La Rioja Provinces

The Company has a 75% interest in the Batidero and Northern Properties and TNR TNR has the remaining 25%. The Company and TNR are funding expenditures pro-rata to their interest. As at September 30, 2009, TNR owes the Company US\$8,708 for their share of expenditures. The Batidero forms part of the Jose Maria JEA (Note 9(c)(ii)).

(vi) La Chola Project: copper and gold exploration property in La Rioja Province

During 2004, the Company signed an agreement with Lancaster/Didier de Antonio whereby the Company can earn a 100% interest in the La Chola Project through payments in stages totaling US\$375,000 over 8 years subject to a 1 % NSR. As at March 31, 2009, the Company has paid an accumulated amount of US\$150,000. All option payments are on hold since the property was put under force majeure in April 2007.

The La Chola Project forms part of the Vicuna JEA (Note 9(c)(i)) and is under force majeure due to anti-mining legislation in La Rioja Province.

The Company has other properties in Argentina, acquired by staking, such as the Cerro Blanco (La Rioja Province), Cerro Cuadro (Santa Cruz), El Bagueel (Santa Cruz) and Elisa (Mendoza) properties. In addition it has approximately a 78% interest in the Las Flechas group of properties and Yamana Gold Inc. has approximately 22% interest. The Cerro Blanco property straddles the Argentinean and Chilean border and forms part of the Vicuna JEA (Note 9(c)(i)).

**(d) CHILEAN PROPERTIES**

The Company has acquired, by staking, several mineral exploration concessions directly across the border in Chile from Argentina (most notably the Los Helados Property). The Los Helados property forms part of the Vicuna JEA (Note 9(c)(i)).

**(e) PERUVIAN AND COLOMBIAN PROPERTIES**

The Company has acquired by staking several mineral exploration concessions in Peru and Colombia.

**(f) AFRICAN PROPERTIES ACQUIRED FROM SANU**

**The allocation of the purchase consideration to individual properties acquired in the acquisition of Sanu has not yet been finalized.**

(i) Eritrean properties:

The Company holds two exploration licenses and two prospecting licenses subject to yearly renewal and has made an application for several new licenses in NW Eritrea.

(ii) Burkina Faso Properties:

The Company holds or has rights to five exploration licenses subject to yearly renewal including the Nyieme exploration permit.

## 10. EXPLORATION COSTS

	GJ, Kinaskan and Zymo Canada	Caballo Blanco Mexico	South America	Africa	Other	Total
<b>Exploration Expenditures for the six months ended September 30, 2009</b>						
Assaying	\$ 28,899	\$ -	\$ -	\$ -	\$ -	28,899
Camp costs	26,279	41,639	-	27,760	-	95,678
Drilling	147,428	-	47,364	-	-	194,792
Environmental & community relation	-	3,843	57,157	-	-	61,000
Expediting and project supervision	-	-	-	-	-	-
Field supplies and equipment	17,400	6,161	-	-	-	23,561
Field salaries and contract labour	-	224,298	55,746	5,094	-	285,138
Consulting	13,065	-	-	51,559	-	64,624
Geological, geophysical & geochemical	87,615	3,919	217,289	-	-	308,823
Roadwork	-	31,024	88,019	-	-	119,043
Helicopter	86,078	-	-	-	-	86,078
Maps and reports	960	66,908	-	517	-	68,385
Office miscellaneous	-	39,310	191,288	39,822	-	270,420
Licenses , fees and access rights	-	16,385	210,309	-	-	226,694
Professional	-	59,972	310,199	689	-	370,859
Stock based compensation	2,396	2,997	-	-	-	5,393
Survey	-	-	-	-	-	-
Transport and travel	15,150	38,270	121,718	65,368	-	240,506
Value Added Tax	-	-	137,626	-	-	137,626
<b>Total for the period</b>	<b>\$ 425,270</b>	<b>\$ 534,726</b>	<b>\$ 1,436,715</b>	<b>\$ 190,808</b>	<b>\$ -</b>	<b>\$ 2,587,519</b>
<b>Exploration Expenditures for the six months ended September 30, 2008</b>						
Assaying	\$ 24,750	\$ 88,430	\$ -	\$ -	\$ 552	113,732
Camp costs	86,104	4,610	-	-	-	90,714
Drilling	157,608	1,226,234	-	-	-	1,383,842
Environmental & community relation	40,111	12,190	-	-	-	52,301
Expediting and project supervision	3,296	144,284	-	-	357	147,937
Field supplies and equipment	92,885	72,522	-	-	-	165,407
Field salaries and contract labour	-	243,758	-	-	-	243,758
Fuel	-	-	-	-	-	-
Consulting	12,791	95,886	-	-	-	108,677
Geological, geophysical & geochemical	337,544	56,618	-	-	3,124	397,286
Roadwork	-	88,626	-	-	-	88,626
Helicopter	246,030	-	-	-	-	246,030
Maps, staking and reports	7,379	7,714	-	-	67	15,160
Office miscellaneous	643	7,963	-	-	-	8,606
Licenses, fees and access rights	-	146,300	-	-	-	146,300
Professional	12,444	224,754	-	-	-	237,198
Stock based compensation	14,398	45,962	-	-	-	60,359
Survey	-	-	-	-	-	-
Transport and travel	38,769	86,315	-	-	-	125,084
<b>Total for the period</b>	<b>\$ 1,074,752</b>	<b>\$ 2,552,166</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,100</b>	<b>\$ 3,631,017</b>

## 11. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Issued and outstanding:

Common shares	Number of Shares	Share Capital Amount	Contributed Surplus Amount
Balance, March 31, 2009	58,108,286	\$113,522,946	\$ 2,574,503
Issued for 100% of Suramina shares (Note 4)	52,227,705	17,235,143	-
Issued for 100% of Sanu shares (Note 5)	23,825,075	12,150,788	-
Stock options exercised	97,325	51,582	-
Transfer of contributed surplus	-	9,577	(9,576)
Stock based compensation	-	-	5,721
Sanu replacement options	-	-	302,274
Balance, September 30, 2009	<u>134,258,391</u>	<u>\$142,970,036</u>	<u>\$ 2,872,922</u>

(c) Incentive stock options issued and outstanding are as follows:

The Company has a rolling stock option plan, approved by shareholders on September 15, 2008, reserving an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

The continuity of incentive stock options issued and outstanding is as follows:

	Number of Shares	Weighted-average exercise price
Outstanding at March 31, 2009	2,554,000	\$1.60
Granted in exchange for Suramina's and Sanu's options	3,260,399	\$1.25
Exercised	(97,325)	\$0.53
Forfeited/Expired	<u>(1,138,410)</u>	\$1.53
Outstanding at September 30, 2009	<u>4,578,664</u>	\$1.39
Exercisable at September 30, 2009	<u>4,406,811</u>	\$1.40

The fair value of the stock options granted in exchange for Suramina's and Sanu's options was estimated using the Black-Scholes option-pricing model with the following assumptions:

	<u>Suramina</u>	<u>Sanu</u>
Dividend Yield	0%	0%
Average risk free interest rate	1.10%	1.36%
Expected volatility	97.42%	85.38%
Expected life of option	1.24 years	1.97 years

The fair values of stock options with vesting provisions are amortized on a straight-line basis as stock-based compensation expenses over the applicable period. The weighted average contractual life of the options outstanding as at September 30, 2009 is 1.35 years.

(d) Share purchase warrants:

As at September 30, 2009 the following warrants were outstanding:

<u>Exercise Price</u>	<u>Expiry date</u>	<u>Number of Warrants</u>
CDN\$ 2.45*	Oct 19, 2009	14,312
CDN\$ 1.89	Nov 25, 2009	5,725
CDN\$ 1.66	Jun 24, 2010	14,312
CDN\$ 1.44	Oct 20, 2010	<u>14,312</u>
		<u>48,661</u>

\*Subsequent to September 30, 2009 these warrants expired unexercised.

## 12. RELATED PARTY TRANSACTIONS

In addition to items noted elsewhere in these consolidated financial statements, during the six months ended September 30, 2009, the Company:

- (a) incurred fees of \$306,735 (2008 - \$168,000) to a company controlled by a director pursuant to an agreement for administration, management services and office facilities, which is due for renewal on August 31, 2011. Effective September 1, 2009, the monthly fee was increased to \$45,000. At September 30, 2009, \$47,466 (March 31, 2009 - \$7,076) was due to this company and included in amounts due to related parties.
- (b) incurred legal fees of \$85,200 (2008 - \$28,000) to a law firm of which a partner is a director of the Company. At September 30, 2009, \$3,615 (March 31, 2009 - \$27,362) was due to this law firm.

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

### **13. SEGMENTED INFORMATION**

The Company's only business activity is the exploration for and development of minerals reserves. Segmented information about mineral properties is disclosed elsewhere in these consolidated financial statements. The Company's fixed assets are primarily located in Mexico and Argentina.

### **14. CONTINGENCY**

Suramina's subsidiary, Desarrollo de Prospectos Mineros SA "DPM", has received a claim from the Banco Central de la Republica Argentina ("BCRA") in connection with two foreign exchange transactions made in 2003. It has been alleged that DPM exceeded the maximum allowable limit for foreign exchange conversions on those days. DPM have filed a statement of defence to dismiss this claim. Provisions have not been made in the consolidated financial statements as the likelihood of the loss occurring cannot be determined and the amount of loss if it should occur cannot be reasonably estimated at this early stage. DPM will continue to defend its position.