

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 August 31, 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 AUGUST 31, 2008 AND 2007

(Unaudited – Prepared by Management)

	Three Months Ended		Nine Months Ended	
	August 31,	2008	August 31,	2008
EXPENSES, ADMINISTRATIVE AND GENERAL				
Accounting and audit fees	8,583	\$ 6,755	\$ 38,526	\$ 20,941
Advertising and promotion	1,013	2,164	12,455	2,164
Amortization	4,856	3,541	14,125	4,864
Consulting	-	10,790	-	17,290
Foreign exchange	(133)	2,620	9,414	8,581
Legal	2,727	40,829	13,603	45,510
Management fees	22,500	22,500	67,500	30,000
Office and miscellaneous	7,493	16,814	21,745	40,907
Rent	2,250	2,544	14,755	11,156
Telephone	(10)	1,080	1,669	4,390
Transfer agent and filing fees	2,837	2,528	9,222	25,016
Travel and related costs	<u>(2,652)</u>	<u>5,244</u>	<u>25,129</u>	<u>18,907</u>
LOSS BEFORE OTHER ITEMS	<u>(49,464)</u>	<u>(117,409)</u>	<u>(228,143)</u>	<u>(229,726)</u>
OTHER ITEMS				
Interest	7,498	31,743	51,198	51,746
Loss on sale of equipment	-	-	-	<u>(1,339)</u>
	<u>7,498</u>	<u>31,743</u>	<u>51,198</u>	<u>50,407</u>
NET LOSS FOR THE PERIOD	(41,966)	(85,666)	(176,945)	(179,319)
OTHER COMPREHENSIVE INCOME				
(Note 2(ii))	-	-	-	-
DEFICIT , beginning of period	(1,301,383)	(708,908)	(1,166,404)	(615,255)
DEFICIT , end of period	<u>\$1,343,349</u>	<u>\$794,574</u>	<u>\$1,343,349</u>	<u>\$794,574</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>34,228,401</u>	<u>32,961,017</u>	<u>34,150,283</u>	<u>25,398,032</u>

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

COLIBRI RESOURCE CORPORATION
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2008

(Unaudited – Prepared by Management)

August 31, 2008 **November 30, 2007**

	ASSETS	
CURRENT		
Cash	\$ 1,826,510	\$3,738,750
Accounts receivable	19,601	23,308
Prepaid expenses	<u>13,515</u>	<u>119,787</u>
	1,859,626	3,881,845
EQUIPMENT (Note 5)	41,282	52,469
MINERAL PROPERTIES (Note 6)	<u>5,115,712</u>	<u>3,423,150</u>
	<u>\$7,016,620</u>	<u>\$7,357,464</u>
	LIABILITIES	
CURRENT		
Accounts payable and accruals	\$ 19,785	\$ 206,264
Accounts payable to related parties (Note 7)	<u>15,505</u>	<u>30,925</u>
	<u>35,290</u>	<u>237,189</u>
	SHAREHOLDERS' EQUITY	
CAPITAL STOCK (Note 8)	7,810,295	7,772,295
CONTRIBUTED SURPLUS (Note 8)	514,384	514,384
DEFICIT	<u>(1,343,349)</u>	<u>(1,166,404)</u>
	<u>6,981,330</u>	<u>7,120,275</u>
	<u>\$ 7,016,620</u>	<u>\$7,357,464</u>

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 AUGUST 31, 2008 AND 2007

(Unaudited – Prepared by Management)

	Three Months Ended August 31, <u>2008</u>		Nine Months Ended August 31, <u>2008</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	\$ (41,966)	\$ (85,666)	\$ (176,945)	\$ (179,319)
Add: Items not requiring the use of cash				
Amortization	4,856	3,541	14,125	4,864
Loss on sale of equipment	-	-	-	1,339
Change in non-cash working capital items:				
Increase (decrease) in receivables	1,511	(3,486)	3,707	7,020
(Decrease) increase in prepaid expenses	(3,718)	(9,415)	106,272	28,839
(Decrease) increase in accounts payable and accrued liabilities	(14,250)	11,463	(186,479)	(348,396)
(Decrease) increase in accounts payable to related parties	<u>(41,132)</u>	<u>(5,757)</u>	<u>(15,420)</u>	<u>1,400</u>
Net cash used in operating activities	<u>(94,699)</u>	<u>(89,320)</u>	<u>(254,740)</u>	<u>(484,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of capital stock, and net cash used in financing activities	<u>38,000</u>	<u>1,637,051</u>	<u>38,000</u>	<u>4,479,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	(2,938)	(34,842)	(2,938)	(48,907)
Acquisition of mineral properties and deferred exploration costs	<u>(315,556)</u>	<u>(265,910)</u>	<u>(1,692,562)</u>	<u>(1,015,246)</u>
Net cash used in investing activities	<u>(318,494)</u>	<u>(300,752)</u>	<u>(1,695,500)</u>	<u>(1,064,153)</u>
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(375,193)	1,246,979	(1,912,240)	2,930,927
CASH , beginning of period	2,201,703	2,827,141	3,738,750	1,143,193
CASH , end of period	\$1,826,510	\$4,074,120	\$1,826,510	\$4,074,120

Supplemental disclosure with respect to cash flows (Notes 9 and 10)

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

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2008 AND 2007

(Unaudited – Prepared by Management)

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 interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumptions that the Company will be able to realize its assets and liabilities in the normal course of business for its next fiscal year. 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

Interim Financial Statements

The interim consolidated financial statements of the Company are the responsibility of the Company’s management. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 disclosures required by generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements of the Company.

Basis of Presentation

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.

Except as described below, the accounting policies used in the preparation of these unaudited interim financial statements conform to those used in the Corporation’s most recent annual financial statements.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST, 2008 AND 2007

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3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Company adopted the following new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

(a) Comprehensive Income

CICA Handbook Section 1530 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. 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.

(b) Financial Instruments

New Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has adopted the standard commencing December 1, 2007.

(c) Capital Disclosures

Section 1535 relates to the disclosure of capital management strategies. It specifies the disclosure of an entity's objectives, policies and processes for managing capital; and quantitative data about what the entity regards as capital. The Company has adopted the standard commencing on December 1, 2007.

(d) 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. The Company has adopted the standard commencing on March 1, 2008.

COLIBRI RESOURCE CORPORATION
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4. FUTURE ACCOUNTING CHANGES

The CICA has issued the following handbook sections, which apply commencing with the Company's 2009 fiscal year.

(a) 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 new standards for the recognition, measurement and disclosure of goodwill and intangible assets. It also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. This new standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. Early adoption is permitted. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

(b) International Financial Reporting Standards

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

5. EQUIPMENT

	August 31, 2008			November 30, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office furniture	\$ 7,090	\$ 1,709	\$ 5,381	\$ 7,090	\$ 760	\$ 6,330
Computer equipment	22,503	8,971	13,532	19,565	5,610	13,955
Computer software	9,798	8,574	1,224	9,798	4,899	4,899
Automotive	32,100	10,955	21,145	32,100	4,815	27,285
	\$ 71,491	\$ 30,209	\$41,282	\$68,553	\$16,084	\$52,469

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. MINERAL PROPERTIES

Title to Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous 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 \$250,000 and issued 1,200,000 common shares with a total value of \$238,500, and incurred \$1,852,705 in exploration expenditures. The Company is required to incur \$500,000 (incurred) in exploration expenditures on or before December 16, 2008, and to pay \$50,000 on or before June 16, 2009.

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

As part of the Colibri property, on June 16, 2004, the Company agreed to an assignment of contract agreement to have the right to purchase a 100% interest in two mineral claims known as the San Francisco and the Juarez claims for a total of US\$1,000,000 to be paid over a six year period ending January 1, 2010. All option payments made under this agreement will be applied to the purchase price of US\$1,000,000 if the Company elects to purchase these two mineral claims. To date, the Company has paid US\$131,000. The Company is required to pay an additional US\$119,000 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 Cadence Mineral Resources Inc., to purchase a 100% interest in the Ramaje Ardiente property, located in the State of Sonora, Mexico. Upon signing the option agreement the Company paid \$20,000 and issued 200,000 common shares with a value of \$30,000. The Company agreed to pay \$70,000, issue a total of 300,000 common shares, incur a total of \$500,000 (incurred) in exploration expenditures and initiate a scoping/pre-feasibility study by June 16, 2009, to earn its 100% interest. To date, the Company has paid \$90,000 and issued 300,000 common shares with a value of \$45,000.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. MINERAL PROPERTIES (Continued)

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

Leon Property

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

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

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

	Colibri Property	Ramaje Ardiente Property	Leon Property	August 31, 2008 Total	November 30, 2007 Total
Balance, beginning of the period	\$ 2,428,368	\$ 733,715	\$ 1,638,073	\$ 4,800,156	\$ 2,037,465
Additions					
Mineral claims	63,000	25,000	28,816	116,816	260,550
Accommodation and meals			1,490	1,490	21,805
Assays and lab tests	42,239		29,801	72,040	93,906
Drilling / mobilization / demobilization			55,408	55,408	541,540
Field expenses and personnel			2,446	2,446	37,433
Geological consulting	2,600		58,299	60,899	201,759
Maps and reproduction				-	24,603
Miscellaneous			722	722	89,913
Property and claim taxes				-	56,805
Telephone			85	85	4,293
Travel and transport	255		5,395	5,650	53,078
	108,094	25,000	182,462	315,556	1,385,685
Balance, end of the period	\$ 2,536,462	\$ 758,715	\$ 1,820,535	\$ 5,115,712	\$ 3,423,150

COLIBRI RESOURCE CORPORATION
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7. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of \$15,505 (2007 - \$27,011) is comprised of reimbursable travel costs to directors and a former director of the Company, management fees due to a 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 \$25,000 (2007 - \$25,000) and issued 200,000 shares (2007 – 300,000) 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 \$28,816 (2007 - \$22,614) to a private Mexican company, which is 50% owned by a former director of the Company.
- c) As outlined in Note 6, Ramaje Ardiente Property, the Company paid \$25,000 (2007 - \$20,000) to a private Mexican company, controlled by a former director of the Company.
- d) Paid or accrued \$13,849 (2007 - \$24,550) in geological consulting fees, of which \$13,849 (2007 - \$24,550) are included in mineral properties, to a company controlled by a former director.
- e) Paid or accrued \$NIL (2007 - \$8,041) in geological consulting fees, of which \$NIL (2007 - \$8,041) are included in mineral properties, to a director of the Company.
- f) Paid or accrued \$22,500 (2007 - \$22,500) in management fees to companies controlled by directors of the Company.
- g) Paid or accrued \$2,250 (2007 - \$2,250) 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.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized

100,000,000 common shares without par value

Capital stock and contributed surplus is made up as follows:

	August 31, 2008		November 30, 2007	
	Capital Stock	Contributed Surplus	Capital Stock	Contributed Surplus
Common shares (i)	\$ 5,813,413	\$ -	\$ 5,775,413	\$ -
Warrants	1,996,882	-	1,996,882	-
Contributed surplus (i)	-	514,384	-	514,384
	\$ 7,810,295	\$ 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 and May 31, 2008	34,111,010	\$ 5,775,413	\$ 514,384
Pursuant to mineral property agreements	200,000	38,000	-
Balance at August 31, 2008	34,311,010	\$ 5,813,413	\$ 514,384

COLIBRI RESOURCE CORPORATION
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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (*Continued*)

There were no changes in warrants or contributed surplus for the three month period ended August 31, 2008.

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

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 exercised	(150,000)	0.10
Balance, November 30, 2007 and May 31, 2008	1,540,000	\$ 0.21
Options granted	100,000	0.15
Balance, August 31, 2008	1,540,000	\$ 0.21
Number of options currently exercisable	1,640,000	\$ 0.21
Weighted average fair value per option granted 2008 and 2007	\$ 0.18	\$ 0.19

At August 31, 2008, the following stock options were outstanding:

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

At August 31, 2008, the options outstanding have a weighted average life remaining of 4.2 years.

COLIBRI RESOURCE CORPORATION
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8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (*Continued*)

Warrants

The Company has no 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
<u>Issued</u>	<u>7,832,943</u>	<u>0.70</u>	<u>April 20, 2008</u>
Balance at November 30, 2007	7,832,943	0.70	April 20, 2008
Expired	(7,832,943)	0.70	April 30, 2008
<u>Balance at August 31, 2008</u>	<u>-</u>	<u>-</u>	

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	August 31, 2008	November 30, 2007
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ -	\$ -

COLIBRI RESOURCE CORPORATION
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10. SEGMENTED INFORMATION

The Company operates in one reportable business segment, being the acquisition and exploration of mineral properties in Mexico.

Nine months ended August 31, 2008	Canada	Mexico	Total
Net Loss	\$ (147,524)	\$ (29,945)	\$ (176,945)
Current assets	1,821,320	38,306	1,859,626
Equipment	40,498	784	41,282
Mineral properties	-	5,515,712	5,515,712
Total assets	\$ 1,861,818	\$ 5,154,802	\$ 7,016,620

Nine months ended August 31, 2007	Canada	Mexico	Total
Net Loss	\$ (120,147)	\$ (59,172)	\$ (179,319)
Current assets	4,097,136	15,039	4,112,175
Equipment	46,600	1,087	47,687
Mineral properties	-	3,052,711	3,052,711
Total assets	\$ 4,101,796	\$ 3,068,837	\$ 7,212,573

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities.

(a) Fair Value

Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of judgment.

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.

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

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

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12. FINANCIAL RISK MANAGEMENT

The Company's financial instruments are exposed to certain financial risks, including currency risk, interest rate risk, credit risk, and liquidity risk.

a) Foreign Currency 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 August 31, 2008 and November 30, 2007, the Company's consolidated balance sheets included: \$20,611 (2007 - \$242,877) of cash denominated in U.S. currency and \$13,711 (2007 - \$39,714) denominated in Mexico currency; \$3,403 of accounts payable (2007 - \$169,247) which were U.S. currency denominated and \$NIL (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 August 31, 2008 there were no foreign exchange contracts outstanding.

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest cash in investment-grade short-term deposit certificates issued by its banking institutions.

c) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. 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 and a Canadian bank with high investment-grade ratings.

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) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet current liabilities when due. As at August 31, 2008, the Company had a cash balance of \$1,826,510 (November 30, 2007 - \$3,738,750) to settle current liabilities of \$35,290 (November 30, 2007 - \$237,189). Management is actively seeking new equity financing to enable it to service the Company's ongoing administrative costs, but there is no assurance of success in these initiatives.

COLIBRI RESOURCE CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED AUGUST 31, 2008 AND 2007
(Unaudited – Prepared by Management)

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

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

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

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

COLIBRI RESOURCE CORPORATION

Form 51-102F1

Management's Discussion & Analysis for the Quarter Ended August 31, 2008

The following Management Discussion and Analysis (“MD&A”) for Colibri Resource Corporation (“the Company”) prepared as of October 29, 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.

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 June 30, 2008, the Company paid \$25,000 pursuant to a mineral property option agreement on the Ramaje Ardiente property.
- 2) On July 10, 2008, the Company paid \$25,000 and issued 200,000 shares for a value of \$38,000 pursuant to a mineral property option agreement on 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 May 31, 2008	For The Quarter Ended May 31, 2007
Total revenues	\$ 7,498	\$ 31,743
Net income (loss) before extraordinary items	(41,966)	(85,666)
Net income (loss) and comprehensive income	(41,966)	(85,666)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)
Total assets	7,016,620	7,212,573
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 August 31, 2008

Operations in the period from June 1, 2008 to August 31, 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 the Leon and Colibri properties. The Company has not generated any revenues from operations for the period.

The net loss for the three month period ended August 31, 2008 was \$41,966, 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 \$49,464. Major components of the loss were management fees of \$22,500 and accounting and audit fees of \$8,583.

For The Quarter Ended August 31, 2007

Operations in the period from June 1, 2007 to August 31, 2007 were focused on maintaining the Company's interests in the properties for which it has entered into option agreements. The Company conducted field mapping and sampling on the Leon and Colibri properties, and built access roads to the Leon property. The Company has not generated any revenues except for interest revenue during the period.

The net loss for the three month period ended August 31, 2007 was \$85,666 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 \$117,409. Major components of the loss were \$40,829 for legal fees and \$22,500 for management fees..

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							
	August 31, 2008	May 31, 2008	February 29, 2008	November 30, 2007	August 31, 2007	May 31, 2007	February 28, 2007	November 30, 2006
Total assets	\$7,016,620	\$7,075,968	\$7,329,003	\$7,357,464	\$7,212,573	\$5,655,482	\$3,082,599	\$3,259,555
Mineral property costs	5,115,712	4,800,156	4,096,859	3,423,150	3,052,711	2,786,801	2,380,801	2,037,465
Working capital	1,824,336	2,141,940	2,933,373	3,644,656	4,049,928	2,795,754	575,568	807,864
Shareholders' equity	6,981,330	6,985,296	7,078,066	7,120,275	7,155,326	5,598,941	2,987,032	2,850,312
Revenues	7,498	15,540	28,160	41,345	31,743	9,385	7,321	11,164
Net income (loss)	(41,966)	(92,770)	(42,209)	(371,830)	(85,666)	(68,323)	(25,330)	(124,017)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.02)	(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.

	August 31, 2008	August 31, 2007
Working capital	\$ 1,824,336	\$ 4,049,928
Deficit	(1,343,349)	(794,574)

Net cash used in operating activities during the period was \$ 94,699 compared to \$89,320 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 \$38,000 during the current period and \$1,637,051 during the previous period.

Net cash used in investing activities was \$318,494 during the current period and \$300,752 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

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 (expired) 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 next twelve month period (updated August 31, 2008):

Description	Amount
(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.	\$ 200,000
(b) To conduct continuing exploration and drilling on the Ramard Property.	\$ 20,000
(c) To conduct continuing exploration and drilling on the Leon Property.	\$ 100,000
(3) To cover estimated general and administrative expenses for a 12-month period	\$ 175,000
(4) To provide general working capital	\$ 30,000

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 \$15,505 (August 31, 2007 – \$27,011) 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 period from June 1, 2008 to August 31, 2008, the Company entered into the following transactions with related parties:

- a) As outlined in Note 6, Colibri Property, the Company paid \$25,000 (2007 - \$25,000) and issued 200,000 shares (2007 – 300,000) 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 \$28,816 (2007 - \$22,614) to a private Mexican company, which is 50% owned by a former director of the Company.
- c) As outlined in Note 6, Ramaje Ardiente Property, the Company paid \$25,000 (2007 - \$20,000) to a private Mexican company, controlled by a former director of the Company.
- d) Paid or accrued \$13,849 (2007 - \$24,550) in geological consulting fees, of which \$13,849 (2007 - \$24,550) are included in mineral properties, to a company controlled by a former director.
- e) Paid or accrued \$NIL (2007 - \$8,041) in geological consulting fees, of which \$NIL (2007 - \$8,041) are included in mineral properties, to a director of the Company.
- f) Paid or accrued \$22,500 (2007 - \$22,500) in management fees to companies controlled by directors of the Company.
- g) Paid or accrued \$2,250 (2007 - \$2,250) 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 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

(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 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 has adopted this standard commencing on March 1, 2008.

The changes were adopted prospectively on the dates noted above. These new standards had no significant impact on the Company's Consolidate Financial Statements.

RECENT ACCOUNTING PRONOUNCEMENTS

(a) 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 Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

(b) International Financial Reporting Standards

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

OUTSTANDING SHARE DATA

Capital stock

	Number of Shares
Authorized	
Common shares without par value	100,000,000
<u>Issued and Outstanding as at August 31, 2008</u>	<u>34,311,010</u>

Stock options

On June 20, 2008 the Company issued 100,000 stock options exercisable at \$.015 per share. The following stock options were outstanding, with a weighted average life remaining of 4.2 years and weighted average fair value of \$0.18 per option:

Number of Options	Exercise Price	Expiry Date
450,000	\$ 0.10	October 20, 2011
1,090,000	0.26	October 29, 2012
100,000	0.15	June 20, 2013
1,540,000		

Warrants

The Company has no share 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
Expired	<u>(7,832,943)</u>	\$0.70	April 20, 2008
Balance at August 31, 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:

Nine months ended August 31, 2008	Canada	Mexico	Total
Net Loss	\$ (147,524)	\$ (29,945)	\$ (176,945)
Current assets	1,821,320	38,306	1,859,626
Equipment	40,498	784	41,282
Mineral properties	-	5,115,712	5,115,712
Total assets	\$ 1,861,818	\$ 5,154,802	\$ 7,016,620

Nine months ended August 31, 2007	Canada	Mexico	Total
Net Loss	\$ (120,147)	\$ (59,172)	\$ (179,319)
Current assets	4,097,136	15,039	4,112,175
Equipment	46,600	1,087	47,687
Mineral properties	-	3,052,711	3,052,711
Total assets	\$ 4,101,796	\$ 3,068,837	\$ 7,212,573

Additional Disclosure for Venture Issuers Without Significant Revenue

	Period Ended August 31, 2008	Period Ended August 31, 2007
Capitalized or expensed Exploration and Development Costs	\$ 5,115,712	\$ 3,052,711
Expensed Research and Development Costs	\$ -	\$ -
General and Administrative Expenses	\$ 49,464	\$ 117,409
Material Costs	\$ -	\$ -

Capitalized or Expensed Exploration and Development Costs

For the Colibri property, we capitalized \$108,094 during the period ended August 31, 2008 and \$144,435 during the same period for 2007.

For the Ramaje Ardiente property, we capitalized \$25,000 during the period ended August 31, 2008 and \$28,929 during the same period for 2007.

For the Leon property, we capitalized \$182,462 during the period ended August 31, 2008 and \$92,546 during the same period for 2007.

FINANCIAL RISK MANAGEMENT

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 of August 31, 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.

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

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

Foreign Currency 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 August 31, 2008 and November 30, 2007, the Company's consolidated balance sheets included: \$20,611 (2007 - \$242,877) of cash denominated in U.S. currency and \$13,711 (2007 - \$39,714) denominated in Mexico currency; \$3,403 of accounts payable (2007 - \$169,247) which were U.S. currency denominated and \$NIL (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 August 31, 2008 there were no foreign exchange contracts outstanding.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest cash in investment-grade short-term deposit certificates issued by its banking institutions.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. 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 and a Canadian bank with high investment-grade ratings.

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.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet current liabilities when due. As at August 31, 2008, the Company had a cash balance of \$1,826,510 (November 30, 2007 - \$3,738,750) to settle current liabilities of \$35,290 (November 30, 2007 - \$237,189). Management is actively seeking new equity financing to enable it to service the Company's ongoing administrative costs, but there is no assurance of success in these initiatives.

CAPITAL MANAGEMENT

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

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

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

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

Additional Information

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